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EDITORIAL

As We See It

It would be no exaggeration to say that the eyes of the world have been fixed upon the city of Washington during the past week or two with an intentness seldom surpassed. The fact that the President has "spelled out" his ideas about foreign policy in considerable degree will not reduce the interest now so manifest in what the new Administration is planning or thinking. As for ourselves here at home, "our country has come through a painful period of trial and disillusionment since the victory of 1945," to quote the President. "We anticipated a world of peace and cooperation. The calculated pressures of aggressive communism have forced us, instead, to live in a world of turmoil."

Then for the edification of his fellow countrymen and foreign peoples alike, the Chief Executive adds:

"From this costly experience we have learned one clear lesson. We have learned that the free world cannot indefinitely remain in a posture of paralyzed tension, leaving forever to the aggressor the choice of time and place and means to cause greatest hurt to us at least cost to himself.

"This Administration has, therefore, begun the definition of a new, positive foreign policy."

There follows the broad outlines of the foreign policy that has been formulated by the Eisenhower Administration. Much of this formulation will have to be made more concrete and specific implementation proposed before final appraisal will be possible. It is, however, plain enough that the President is far from fully satisfied with the situation in Western Europe, and there will be general agreement, we think, that he is well

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Eisenhower Delivers His First State of the Union Message

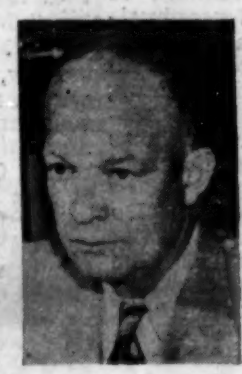
President tells Congress aim will be to balance budget, while meeting huge defense costs. Calls for proper handling of inflation and work toward earliest possible solution of tax burden. Proposes changes in taxes and other measures "to encourage initiative of our citizens," and says price and wage controls will go. Disavows "secret understandings of the past, which may have broken faith with our friends," and reveals U. S. fleet will no longer shield Communist China. Wants more self-help from Europe.

President Dwight D. Eisenhower on Feb. 2 delivered in person his first State of the Union message to Congress in an hour long address replete with statements of new policies, both domestic and foreign, which the Administration proposes to follow under its new leadership.

The official text of the President's message follows:

I

Mr. President, Mr. Speaker, Members of the 83rd Congress:



Pres. Eisenhower

I welcome the honor of appearing before you to deliver my first message to the Congress.

It is manifestly the joint purpose of the Congressional leadership and of this Administration to justify the summons to governmental responsibility issued last November by the American people.

The grand labors of this leadership will involve:

Application of our influence in world affairs with such fortitude and such foresight that it will deter aggression and eventually secure peace;

Establishment of a national administration of such integrity and such efficiency that its honor at home will ensure respect abroad;

Encouragement of those incentives that inspire creative initiative in our economy, so that its productivity may fortify freedom everywhere; and,

Dedication to the well-being of all our citizens and to

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Business in 1953

By DR. MARCUS NADLER*

Professor of Finance, New York University

Analyzing likelihood of continuation of forces which made 1952 great boom year, Dr. Nadler predicts in 1953 military expenditures will remain at high level, capital expenditures will remain large, and business will be generally good. Nevertheless notes certain incipient weaknesses, as falling commodity prices, heavy increases in private debt, and increasingly competitive market. Concludes boom conditions will last at least through first half of 1953, that they would be cut short by ending of Korean war, but in any event there is no prospect of a drastic depression.

Usually this time of the year I buy a new crystal ball, look into it carefully and try to tell you what the next year will bring. You know the story of the three professional men who were rivaling one with another as to which is the oldest profession. The surgeon said, "Surgery is the oldest profession because the good book says, 'And the Lord created Eve by taking a rib out of Adam.' That is a surgeon."

Marcus Nadler

The engineer said, "No, engineering is the oldest profession, because the good book says, 'The Lord created the world out of chaos,' and that came before Adam was created."

And the economist, who was well traveled, was a business adviser and had all the attributes of an economist with a grin on his face said, "And who created chaos?"

As in the past years I will try again to bring to you more chaos so that no matter what I say next year, I can say, "Didn't I tell you so?"

The past year was a good one, but while the over-all economy was operating at high gear, not all the segments of the economy enjoyed the same degree of prosperity.

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*A talk by Professor Nadler before 15th Annual Arthur M. Reis Forum, New York City, Jan. 14, 1953.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Coastal Caribbean Oils, Inc. — Eldon A. Grimm, General Partner, Walston & Co., New York City. (Page 2)

River Brand Rice Mills—Schuyler Van Vechten, Vice-President and Director, Lee Higginson Corp., New York City. (Page 16)

ELDON A. GRIMM
General Partner, Walston & Co., New York City
Members New York Stock Exchange

Coastal Caribbean Oils, Inc.

Get out your best map of Florida because in the next few minutes we are going on the biggest treasure hunt in the history of that fabulous tropical state. In past centuries the state of Everglades and oranges has been the scene of feverish searches for buried pirate gold and the loot from sunken Spanish galleons. But today the quest is for "black gold," for oil and gas. Even in this year 1953, Florida is still a virgin state as far as oil exploration is concerned. It has vast areas which have never been touched by the oil drill. Nevertheless, exploration activity continues to expand to new peaks. There are 17 geophysical crews at work mapping the underground structure to be found there. This intense activity is being financed by such majors as Sinclair, Continental, Magnolia, Texas Company, Gulf, Humble, Sun and the California Company.

Eldon A. Grimm

Now for the $64 question. Do large deposits of oil and gas exist under the soil of Florida? I have talked with some top students of oil and gas deposits who think that the chances of finding petroleum in sizable quantities there are most encouraging. They believe that the geology in many sections of Florida is as favorable as it is in other Southern states which border on the Gulf of Mexico and which are substantial oil producers. They argue that oil has been found in bonanza quantities all around the borders of the Gulf of Mexico where exploration has been thoroughly carried out. Why shouldn't Florida have its oil pools too? The states of Texas and Louisiana, on the Gulf, possess enormous wealth in "black gold." In fact, some of the most promising producing areas are right out in the "tidelands" part of the Gulf, entirely surrounded by water, many miles offshore from Texas and Louisiana. Moving eastward, we find oil in the state of Mississippi, too. And, during 1951, the hopes of Florida residents soared when Humble Oil struck an important new oilfield known as the Pollard field in southern Alabama, just four miles north of the Florida border. This Humble discovery has produced a scramble to lease available acreage in northern Florida, which adjoins Alabama. One major oil company after another has jumped into this Alabama-Florida land play and new leases have been signed on well over 1,000,000 acres in northern Florida.

The leasing boom is on in the rest of Florida too, all the way down to the very south end of the Florida Keys. Humble and Gulf Oil are two of the big holders of leases, as are a long list of others. Continental Oil, a newcomer into the Florida picture, has taken on over 1,000,000 acres in the southern part of the state, south and east of Tampa. It is estimated that 75% of the entire state is now under oil and gas leases. This means that a sharply stepped-up drilling campaign is just around the corner.

Florida does have one oilfield of moderate significance, and this is Humble Oil's Sunniland Field in the southern part of the state, located 35 miles southwest of Lake Okeechobee in Collier County. The largest producing well in Sunniland was brought in back in 1948 with a 760 barrel-per-day output of 25 gravity crude from the Sunniland limestone zone.

There have been a number of wildcats drilled in various parts of the state, and some of these have had rather encouraging shows of oil and gas, despite the absence of commercial production. However, since most of these exploratory tests were drilled, vital new techniques have been developed to make oil drilling much more of a scientific procedure. For example, some of the majors such as Gulf Oil have charted the sub-surface structures of Florida by means of magnetometer survey from airplanes. In the future, it will be possible to erect the drilling derricks on the most promising locations. In addition, there is a much more thorough understanding of Florida's puzzling geology than there was even a few years ago.

Now, we turn to the company which seems to have more territory under lease in Florida than any other oil company has. It is called Coastal Caribbean Oils, Inc. It was born just a few days ago, as a "spin-off" from the old Pancoastal Oil Co. The new Coastal Caribbean, with about 5,760,000 shares outstanding, made its debut in the American Stock Exchange this week and traded at above $4 a share. Coastal Caribbean has just taken over a total of about 5,000,000 acres of leases in Florida. These leases were formerly held for a period of several years by Coastal Petroleum Co., a subsidiary of the old Pancoastal. The 5,000,000 acres are entirely "wildcat," are almost all leased from the State of Florida, and are almost all underwater too. They consist, in the main of beaches, offshore areas up to 10 miles out, bays, harbors, inlets, river bottoms and lake beds. The company has no oil or gas production, as yet, but it does have this tremendous amount of territory. A brief summary of holdings is shown below:

(1) About 4,000,000 of these acres lie along the west coast of Florida on the Gulf of Mexico side. Here, Coastal Caribbean has a continuous water-bottom strip 10 miles wide which runs up and down the west coast for a total distance of more than 400 miles. That's a mighty long piece of property. It stretches from Apalachicola Bay in Gulf and Franklin Counties of northwest Florida all the way down to six miles south of the city of Naples at the southern end of the state. Naples, on your map, is south of Ft. Myers.

(2) Now look on your map for big Lake Okeechobee in south-central Florida. This lake is about 40 miles west of Palm Beach. Coastal Caribbean has 467,000 underwater acres leased from the state in this promising basin, and 173,000 other acres in this same lease block. Rather high hopes are held for this lake property.

(3) Immediately adjoining Lake Okeechobee on the south is a 90,000-acre block leased from the U. S. Sugar Corporation.

(4) In the Everglades section about 25 miles southwest of Miami are 90,000 more acres of state leases.

(5) Also leased from the state are about 245,000 acres of tidelands in and about famous Key Largo and Plantation Key down in the Keys. This historical area, south of Miami and just off the Florida mainland, is a known petroliferous area.

At least three drilling projects either on, or near, company leases are expected to begin over the next few months. In fact, just last week Sinclair Oil started to drill an 11,500-foot test on Key Largo 40 miles south of Miami. This wildcat is adjacent to Coastal's state lease No. 364, which consists of one block of 122,000 acres in the Key Largo area. Sinclair assumes a 50% undivided interest in this acreage. This project will be watched with great interest by the oil industry because it is only a few miles north of Coastal's No. 1 H. R. Williams, drilled in 1949. This original well at the north end of Key Largo was designed to test a known geological structure and was recognized as one of the best prospects in the state. The objective was to test the Sunniland Limestone at about 10,200 to 10,500 feet. However, this goal was never achieved. At 6,702 feet the project came to an abrupt end with a twist-off followed by an unsuccessful fishing job. A good oil show was reported, however. More recent seismic surveys have indicated that this first well was off-structure by several miles.

Coastal's promising Lake Okeechobee-U. S. Sugar leases may be drilled this year too with a deep test of at least 11,000 feet. During 1952, a refraction seismograph crew spent several months of work there.

Some of the major oil companies such as Gulf and Humble are also planning several wildcat wells just a few miles away from various Coastal holdings, and two of these locations are reported to be in Franklin County and in Lee County on the west coast of Florida.

The Everglades region is being studied too. Back in 1949, Coastal Pete, the predecessor company, drilled a wildcat in Dade County in the Everglades just west of Miami. Known as the No. 1 State-Grossman, it penetrated to a depth of 11,520 feet and did encounter many encouraging oil and gas shows between 9,388-11,150 feet but the zones in which the shows were recorded had poor porosity and for that reason could not be commercially produced.

Other unsuccessful tests put down a few years ago included one deep well in Pinellas County and four others of moderate depth, with one each in Levy, Jefferson, Lafayette and Monroe Counties. One of these, a 7,559-foot test in Monroe County, was put down near Tavernier on Plantation Key. None of these projects was conclusive, however. In its drilling ventures, Coastal almost always works with one or more of the major companies so that they can share a substantial part of the expenses.

So far, then, Coastal Caribbean has no commercial production. But it does have such an immense territory under lease that it does have high hopes of hitting some-

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The Bank Credit Outlook

By WILLIAM T. TAYLOR*

Vice-President, Bankers Trust Company, New York

Although both credit policy, and debt management policy, according to Mr. Taylor is in state of flux, and therefore makes forecasting difficult, he ventures view there'll be an increase in bank loans for tenth successive year. Points out, however, growth in business loans will depend on changes in price levels, and, if these are steady, loans of this character will also be steady. Says liquid condition of business has improved, and liquidation of government securities by institutional investors has slackened. Predicts Treasury refunding will not disturb money market.

In December, I attended a sales convention of a company which is one of the leaders in its industry. The very able economist of the company was on the program and started his remarks with the following earth-shaking observation, "Sales in 1953 will be about the same as in 1952, unless they are up or down." Such a hedge clause is most satisfying when one is attempting to prophesy. Although I have been unable to dream up an equivalent umbrella for myself, I hope you will excuse my temerity in making some guesses about the future.

William T. Taylor

My experience over the years indicates that when bankers get together to talk shop, sooner or later they get around to discussing the outlook for bank loans, investments, deposits, and interest rates. I propose to venture some observations on these matters in the time allotted to me this morning. I undertake this assignment not because I possess any secret formula that will enable me to come out with the right answer, but in the thought that a discussion of the major factors that will affect banking in 1953 will be of some assistance in clarifying points of view and formulating opinions.

This is not a particularly easy time to attempt this task. In addition to the uncertainties and differences of opinion that customarily surround the outlook for business activity and prices, both credit policy and debt management policy are in a state of flux. This increases the risks in expressing points of view, but unfortunately does not free us from the necessity of having some opinions, albeit tentative, about the outlook. Of course, we must also assume no change in the temperature of the so-called cold war.

Outlook for Loans

Every major category of bank loans, except loans on securities, showed an increase in 1952; and by the end of the year, the total loans of all commercial banks were at new record levels.

It is interesting to note in passing that total bank loans have increased in each of the past nine years—from 1944 through 1952. It is my guess that 1953 will mark the 10th successive year of growth in total bank loans. Building starts have been holding up well in recent months, and this presages another increase in real estate mortgage debt this year. Consumer credit may not continue to rise at the rapid rates of recent months, but is likely to show an increase for the year. In both these lending fields, commercial banks in all probability will continue their active participation.

That is a broad general conclusion. The more interesting—and perhaps the most important — problem revolves around loans to business.

In most types of loans, the increases in 1952 were larger than in 1951; the key exception was in business loans, which increased only about half as much last year as in 1951. Let's look back at business loan performance in 1951 and 1952. You will recall that business loans rose sharply in the early months of 1951, as a result of the inflation then under way, whereas in 1952 they declined slightly in the corresponding months. In the second half of both years, the growth was about equal.

Doubtless a careful student of the subject would be able to come up with a very technical and learned treatise on the many and complex factors that underlie the behavior of these loans. Looking at the record of the postwar years, I have been impressed by one fairly simple fact; namely, the close similarity in the movements of business loans and business inventories. The latter in turn depend upon the state of business and upon the course of and outlook for commodity prices. Thus, rapid increases in business loans occurred from 1946 to 1948 when inventories were being restocked and commodity prices were rising rapidly. When business activity eased and prices softened beginning in late 1948, business loans showed a decline. With the outbreak of the Korean war and the ensuing inflation, business loans staged another sharp rally.

The outlook for business loans, therefore, is tied in very closely with our expectations as to business activity and commodity prices. If, on top of the current high levels of business activity, we experience a resurgence of inflationary pressures, doubtless our business customers will seek additional bank credit in order to help carry larger inventories and receivables. However, I doubt that

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*An address by Mr. Taylor before the National Credit Conference of the American Bankers Association, Chicago, Ill., January 27, 1953.

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Swords and Plowshares

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A quick look at how the virtual completion of its postwar expansion program has tempered the steel industry, plus current comment on some interested and high-yielding equities in the market crucible.

It is an interesting commentary on the cyclical volatility of the steel industry (and of its common stocks) that of the 50 equities most widely held in investment trust portfolios, only two steel companies appear—the biggest U. S. and Bethlehem. Of all our major industries, steel seems to be one of the widest swingers, even though its products seem virtually indispensable, in peace or in war.

Ira U. Cobleigh

Three thousand years before we had the current phrase "guns or butter" symbolizing our economic choice of goods either for war or for peace, the Old Testament prophet Isaiah spoke of beating "swords into plowshares," and that reference seems especially useful today. For right now we need both swords and plowshares; and the steel industry would be indeed operating dismally were it not supported this year both by the $55 billion armaments expenditure and a 6,000,000 unit production program for cars, trucks, tractors and trailers.

Steel Capacity Enlarged

It might have been thought that the steel industry, after blasting away to new prodigies of output in World War II would have tapered off since 1946—but no. First, all the unfilled and pent up demands for cars, buildings, bridges, oil wells, homes and appliances sustained virtual 100% operation till into 1949, when the pace slackened a bit; and a real production dip might have occurred in 1950 but for the Korean outbreak. From that point, and continuing unto this day, expansion of capacity and production have surged; and accelerated depreciation allowances of over $100 millions allured and assured new plant construction.

Thus the end of this year will show that we've got ingot production capacity of 120 million tons per annum. This is a 33% increase over 1946 and the big 1953 question is, can we maintain steel sales at or near this exalted level of productivity? There are many who doubt it; and who feel that a slackening even by so little as 15% would push many companies dangerously near their break-even points. Others, viewing the reverse side of the coin, say that some slopping-off of demand would not be too damaging; that it would relegate some of the older and less efficient plants into enforced idleness; that the newer units would then produce the required steel at lower cost; and that high cost overtime labor would be eliminated. Further, if, as many analysts contend, the steel needs for motor cars and heavy industry should taper, correspondingly lower prices for vital raw materials would offset, on the earnings statement, reduced total sales.

However these speculations into the future may turn out, steel stocks will remain speculative, a fact amply vouchsafed by the high yield and low price earnings ratios revealed on the attached table. During most of 1951 the steels did nothing, and did it with great consistency; and not till the Autumn of 1952 did this group come to life—just in time, actually, to propel the Dow-Jones barometer into 23-year high ground. So today, in addition to our panoramic appraisal of the steel trade itself, we must also ask ourselves if steel shares, in their recent move, have not already discounted, quite amply, the statistical factors in their favor. More particularly, are there any undervalued ones left? Let's take a look.

National Steel Corp.

National Steel Corporation, producing roughly 5% of our steel, is not rated among the biggest companies, but it's well integrated, and has a record replete with excellent management and sustained profitability. While every other steel company was losing money in the 1932 doldrums, National was making it—and paying dividends. Steadily since 1907 National has paid some dividend in each and every year.

Starting out with the ores which it gets from its Hanna Iron Ore division, from extensive beds in Minnesota, Wisconsin and Michigan, it owns a fleet of boats to transport the ore to the mills. Then for coal it owns National Mines Corp., and river barges to deliver the ebony element from the shafts and pits of Pennsylvania, West Virginia and Kentucky. Then whether you seek motor car bodies, sheet steel, tinplate by the electrolytic process, a steel floor, a Quonset Hut or just plain pig iron, National has got it.

Capitalization is quite straightaway—$55 million in bonds, no preferred and 7,348,000 shares of common (27% owned by M. A. Hanna Co.) selling at $50 paying $3, and earning about $4.10. Stock was split 3-for-1 in 1950. National is about as solid as they come in steels. Earnings are down about $2 from 1951 but should improve in '53.

Republic Steel Corp.

Republic Steel Corporation is the third largest steel maker, being capable of annual production of above 10 million tons. Well integrated, with extensive owned reserves of ore and coal, and 50% interest in a company developing taconite ore in Minnesota, Republic deserves serious consideration. Progressive management here spent $295 million in property improvement between 1946 and 1951, and improved efficiency, thus created, is a powerful factor for improved future earnings.

As to products, Republic makes sheets, bars, pipes, tin plate and alloys; and in the finished goods department offers culverts, windows, kitchen cabinets and office desks. Gross sales passed the billion dollar mark in 1951.

About finances there is long-term indebtedness of $171.2 million followed by $28.2 million of $6 preferred (convertible into 2 common shares); and finally, 5,896,719 shares of common listed on the N. Y. Stock Exchange. Dividends are quite liberal—$4 a share for the past two years, with the biggest earnings margin occurring in 1950 when per share net reached $10.53. If you're shopping for steels you'll certainly want to consider Republic.

Jones & Laughlin

Fourth in the trade is Jones & Laughlin Steel Corp. chairmanned by a distinguished Navy Admiral, Ben Moreell. Twenty-three percent of output here (1951) goes to motor cars, 36% strip and sheet steel shipments and 20% tubular products; 14% bars, the balance scattered among oil and gas needs, machinery, transportation and appliances.

Here again the pattern of postwar plant improvement is highly evident with $190 million laid out for this purpose in the 1946-50 period. Best year for the common was 1950 when $7.36 was earned. Nineteen fifty-two was poor by earlier standards, but it would appear that most of the pessimism about last year's results has been discounted in current price quotations. 6,200,654 shares of common here follow 293,568 shares of $5 preferred and $149 million of bonds. Jones & Laughlin is perhaps a bit more marginal than others we've mentioned, but it does not appear over-inflated by its present market valuation.

Profit-Potential Industry

Obviously this has been a very capsuled account of steels but the overall pattern seems the same—wide cyclical swings, heavy plant improvement in recent years, soggy 1952 earnings due to a nasty strike; and hopes for this year tempered by a possible fall in demand, and trade pricing probably more competitive. Further, earnings again may seem lower than they really are, due to heavy bites of accelerated depreciation.

If however, you assume a watchful attitude and are not too lulled by the siren call of existing high yields, judicious selection and good timing of purchase here, may permit you to plow part of your hoard into steel shares—on a profitable basis!

Table of Representative Steels

Company—	1952 Earnings About	1952 Dividend	Current Price	Yield About
Bethlehem	6.50	$4.00	56¾	7.1%
Armco	6.00	3.00	42	7.1
Jones & Laughlin	2.80	1.80	23½	7.7
National	4.10	3.00	50	6.0
Republic	6.95	4.00	48	8.4
U. S. Steel	4.45	3.00	42¾	7.0
Youngstown	5.70	3.00	45⅞	6.6

Our Reporter's Report

February holds out real promise for the investment banking business, judging from current indications of the volume of new issues being groomed for market in the period.

After several weeks of thin fare the prospective pickup in activity naturally comes as a welcome change. Moreover, it appears that the shelves of underwriters and dealers have been pretty well cleared of remnants of recent undertakings.

Firms that underwrite and distribute new securities for industry are in good position for tackling the man-sized job which looms ahead. As an added lift, the roster of new prospects contains a goodly sprinkling of business to be done through negotiated deals.

With the dissolution of the syndicate which brought out Ohio Power Co.'s $22,000,000 of 30-year first mortgage bonds, the last of recent offerings which had been hanging over the market has been cleared away. Bankers paid the utility 102.08999 for the issue as 3⅜s.

Reoffered at 102.625 to yield 3.24%, the bonds were slow in moving out. Bankers, evidently convinced that the market was not likely, in the near term, to reach a point that would make this basis attractive to buyers, moved quickly to let the issue find its level in the free market. Turned loose, the bonds went to a 101½-101¾ basis for an indicated yield of around 3.28%.

Made to Order

Including the several issues reaching market this week, bankers will be called upon to handle corporate debt issues for more than $200,000,000 to and including Feb. 18.

The bulk of such projects range in size from $12,000,000 to $25,000,000 which, speaking generally, is the type of undertaking bankers like to handle. There are two a bit larger, namely Consolidated Edison Co.'s $40,000,000 of 30-year first and refunding mortgage bonds, and $30,000,000 of 20-year first mortgage pipe line bonds on which Tennessee Gas Transmission Co. will open bids on Monday.

Dealers are keeping their fingers crossed and hoping that underwriters sponsoring the business will take cognizance of the change in the situation and price this new material accordingly.

Meeting the Issue

The State of California's $100,000,000 of new veterans' farm and home loan bonds appeared to be

getting a favorable reception judging from reports.

Reoffering of this issue was priced at levels to yield from 1.1% for the shortest maturity to around 2.52% for the series due in 1973.

In the case of the longest maturity, it was noted that the 2.52% tax-exempt yield on the long maturity worked out as the equivalent of 5% on a taxable bond in the case of some prospective buyers.

A Real Whopper

The chemical industry's new capital needs naturally are in keeping with its growth which has been little short of phenomenal. Allied Chemical & Dye Corp.'s projected record-breaking industrial issue is in keeping with the overall picture.

Allied plans to sell $200,000,000 long-term debentures to finance construction of plants to produce new products developed in its laboratories. There have been a few other issues of such dimensions but these have been placed directly with institutions. Allied will go to the public through an underwriting group.

Over the last seven years, it has plowed $313,000,000 back into the properties with all but $50,000,000 in bank loans, the latter due in 1955, being provided out of its own resources.

COMING EVENTS
In Investment Field

Feb. 9, 1953 (New York City)
American Stock Exchange annual election.

Feb. 11, 1953 (Chicago, Ill.)
Bond Club of Chicago annual meeting at the Mid-Day Club.

Feb. 11, 1953 (Boston, Mass.)
Boston Securities Traders Association 29th annual Winter Dinner at the Sheraton Plaza Hotel.

Feb. 11, 1953 (Detroit, Mich.)
Detroit Stock Exchange annual dinner at the Hotel Statler.

Feb. 13, 1953 (Milwaukee, Wis.)
Milwaukee Bond Club Mid-Winter party at the East Room of the Hotel Schroeder.

Feb. 13-14, 1953 (Chicago, Ill.)
Investment Bankers Association of America winter meeting at the Drake Hotel.

Feb. 20, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production in the period ended on Wednesday of last week was lifted slightly above the preceding week and was much higher than the level of a year ago. It was also close to the postwar high of November last.

Reports on employment continued to be very favorable, coupled with the fact that in some areas a labor shortage was quite evident. Many manufacturers, it was reported, were advertising in out-of-state newspapers for help and in some instances special inducements were offered to prospective employees.

Industrial production in January of the current year increased for the fifth straight month, the Federal Reserve Board index revealed. It climbed to 236% of the 1935-39 average. This compared with 235% in December and 193% last July when output was held down by the steel strike. Last month's production of factories and mines was the greatest in the nation's history, with the exception of October and November, 1943. Full-scale war pushed the index for those months to a record high of 247%.

The prospects of business should continue good and at a steady pace during the next three or four months, according to the January survey of the National Association of Purchasing Agents. Increased production is reducing backlogs but new orders are rising, the agents stated. Prices are holding stable, with a tendency to dip as competition sharpens. Very few materials are critically short, the buying executives say, and supply is meeting the demand in many items considered scarce and catching up on others, it further reports.

Consumers bought heavily "on the cuff" during December, the Federal Reserve Board reports. They added $617,000,000 to their indebtedness on instalment purchases of automobiles and other products. This compared with an increase of only $239,000,000 in December, 1951. Instalment credit to auto buyers alone jumped $152,000,000. In the final month of 1951, the total had been reduced by $61,000,000. The huge December increase pushed instalment credit outstanding at the close of 1952 to a record $16,500,000,000, a gain of nearly $3,000,000,000 during the year.

Steel industry earnings last year skidded 22% below their 1951 level. But income in the fourth quarter of 1952 was about 20% higher than it was during the fourth quarter of 1951, "The Iron Age," national metalworking weekly, states this week in its current survey of the steel trade.

The relatively poor showing last year, it adds, resulted largely from the 54-day strike that cut deeply into operations and profit in both the second and third quarters. The fourth quarter upsurge in earnings marked quick and complete recovery from the paralyzing effects of the strike.

In addition to the steel strike, producers blamed inadequate price relief to compensate for a record wage increase and increasing costs of goods and services for their poorer profit showing, this trade weekly states.

Last year's financial results clearly demonstrate that profit margins are still getting narrower. For example, U. S. Steel Corp.'s net income was only 4.6% of sales last year compared with 5.2% in 1951. In 1950 it was 7.3%. The corporation represents about one-third of the steel industry, "The Iron Age" points out.

Despite last year's relatively poor showing, the earnings outlook for 1953 is fairly favorable, it continues. The same factors that brought marked improvement during the fourth quarter

Continued on page 37

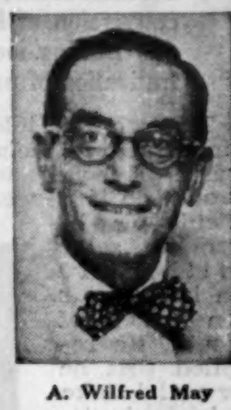
Observations . . .

By A. WILFRED MAY

INFLATION OR DEFLATION? This Week's Revelations from Ike

The $64-question whether Ike spells inflation or deflation is re-highlighted by this week's State of the Union message, and his lieutenants' following economy moves.

Let us see what reinforcement to the existing underlying expansionist and restrictive elements is given by the several economic segments of the President's Message. General Eisenhower proclaimed four major policies with economic implications: (1) Extension of the Korean War. (2) Greater Cold War activity. (3) Scrapping of Wage Price controls. (4) Vetoing of tax cuts before budgetary curtailment.


A. Wilfred May

The stepping-up of the shooting war, insofar as this will actually follow from the decision to free the Seventh Fleet from guard duty for Communist China, might swell the budget's Defense Expenditure total by an additional one to one and a half billion during this first half of 1953. Whether or not the effect of the new Asiatic policy as well as item (2), the all-round Cold War intensification, is quantitatively measurable, surely the effect will be inflationary rather deflationary.

Likewise is the scrapping of wage and price controls on the in-flationary side, although in the opinion of this writer, in a very minor way. As instanced even in the current decision made when only a very few items are pressing upward against ceilings, the principle seems to be established that controls will be abandoned only when they are not needed anyway. This conclusion is reinforced by the President's accompanying gingery attitude toward abandonment of rent control. The fourth State of the Union "plank," barring tax cuts before indication of budget-balancing spending-curtailment, alone is de-flationary. It is deflationary because of the pressure toward actual budget-balancing supplied by the withholding of the politically-desirable tax-reduction bait to the Congressmen until they have come through with major reorganization.

Other facets of economic-relevant policies touched on by the new President ranged from the neutral, as easing-of-important-restrictions-with-some-protection, to the mildly expansionist, as extension of social security benefits, aid to education, and government activity in the field of public health and welfare.

The Long-Term Elements

There are, of course, several long-term major inflating and deflating elements still deeply imbedded in our economy. Labor union strength, pushing upward on wages and prices, will no doubt continue strong under any Administration. Inflationary credit "mischief" still is potent. As a result of the Federal Reserve Banks' long-time purchases of government bonds, our commercial banking system has created and made available for circulation nearly $70 billion of inflationary purchasing media. The huge amount of the public's idle or hoarded purchasing power, together with the dollar-devaluation weapon-in-the-closet supply a major force for in-flation, or at least a means of early counter-attack against unwelcome de-flation.

The most certain guarantor of inflation-promotion is the politician's consciousness of ballot-box reprisal ensuing from unpopular deflation, ensuring at least the calling-in of all available inflationary resuscitation media at the first signs of serious "trouble."

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Government's Role in Preventing Depression

By EDWIN G. NOURSE*

Formerly Chairman, President's Council of Economic Advisers

Dr. Nourse discusses recent "Economic Report to the President," prepared by the Council of Economic Advisers, and points out its merits and deficiencies. Says there is a basic contradiction in explanations given for business confidence in next five years. Points out rising productivity is itself an economic problem and advocates: (1) deflation of public overconfidence by government; (2) a balanced budget; (3) conversion of Federal floating debt into long-term obligations; (4) putting money management in skilled hands; (5) decentralization of public enterprise; (6) restoration of free markets.

This story is told of some distinguished mathematician of the past. He was asked what he would do if he were given a difficult problem to solve within 10 minutes on pain of death. He replied that he would take nine minutes to analyze the problem so that he would see just what its nature was and what really was involved in a solution. Then in the 10th minute he could proceed to formulate his answer. I propose to follow about that course tonight. I am presented with a hypothetical problem: How should government act in the economic area during the Administration which opened with "dancing in the streets" of Washington a week ago tonight? To give a sensible and useful answer to that question, one should first analyze the constituent issues. What is there in our present situation, in our national economic institutions, in our national codes or practices of business and political behavior which would expose the economy to the threat of a major depression at any time during the next four years?

Edwin G. Nourse

"The Goose Hangs High"

If one looks back a month to review what was written in the year-end business summaries and the New Year's prognostications, and if he listens to the appraisals currently being made of the economic state of the nation as President Eisenhower and the Republicans take over, he will find the predominant note one of great optimism. Not only are production indexes unprecedentedly high, unemployment phenomenally low, and prices apparently stable. Added to this, profits for '52 held unexpectedly close to the peak level of 1951, and there are widespread expressions of faith that they will do at least nearly as well in '53. Here and there, to be sure, one hears a discordant note from those who are not so sure the business cycle has been licked, those who — indulging in "anthropomorphic symbolism" — talk of a "tired boom," or those who see "vulnerabilities" in the business structure behind its impressive facade of prosperity. But, with skies continuing bright day after day, there are more and more recruits to the chorus of those who confidently sing, "It ain't gonna rain no more."

While some of the prophets of a new era of stabilized prosperity stress the mechanics of the economic process, others emphasize its psychological aspects. The freshest note in the new gospel is sounded by those who pin their faith to the "built-in stabilities" of the new economic system, installed by governmental engineers and architects during the past quarter-century. This view was strikingly put forward in the "Economic Report of the President," transmitted to Congress on Jan. 14. After looking back at the splendid achievements of his Administration and the Democratic regime in general, Mr. Truman pointed to what he called "reenforcements against economic fluctuations." Adroitly sidestepping personal responsibility for appraising the strength of these built-in stabilizers, he appealed to an anonymous host of unseen witnesses to testify as to what had been done to make a continuation of present prosperity possible if only the situation was not bungled by the new Administration. This section of his report is worthy of quotation:

"During recent weeks, a variety of commentators far and wide have noted the profoundly protective and stabilizing elements which have been built into our economic system during the past quarter-century. There is now a rather prevalent view that the danger of any economic setback getting out of hand during the next few years is minimized by broader and fairer distribution of income among individuals and economic groups; a more progressive tax system which automatically adjusts in part to changes in business conditions; a level of public expenditures which, while we all want to see it lower as soon as world conditions permit, stabilizes demand and stimulates private investment; unemployment compensation and the rest of the social security system; farm price supports; a far more shockproof system of banks and securities exchanges; the greater firmness of wage rates due in part to strong unions; and more enlightened business practices with respect to pricing, marketing, collective bargaining, and investment planning. And not the least of the stabilizing effects of these programs is the increasing confidence in the maintenance of prosperity which they inspire."

It should in fairness be noted that Mr. Truman went on to recognize that this was not the whole story. "Many of our domestic economic problems have not been solved. . . . We may face in the future, particularly when defense spending can safely be reduced, more serious tests of our ability to avoid depression than those which have occurred since World War II. . . . It would be imprudent to rely excessively upon the stabilizing factors already in being." These qualifications the staff elaborated with keen insight and broad balance in the Council's review accompanying the President's Economic Report. Mr. Keyserling, however, inserted an "amplifying note" designed to restore the confidence theme to the document. Apprehensive that the public would not fully grasp or that the report did not adequately expound his "reiterated interest in the philosophy of an expanding economy," he exhorted:

"Today, with crying needs for our exportable products among millions of free people throughout the world whose very freedom is imperiled by want, with numerous families in the United States in need of a better standard of living and a vast majority of the people of the United States well able to benefit by a still higher standard of living, with the chances possibly 50-50 that the world situation may call for an intensification rather than a slackening of our international efforts, and with the Soviet Union and its satellites pursuing an increasingly relentless course, it would indeed be ironical if any substantial segment of our own people doubted whether we will be able fully to use our current productive capacity, instead of realizing that we have the brains immeasurably to increase our economic and political security in the most profound sense by drawing the weapon of our ever-increasing productive ability fully from its sheath."

Mr. Clark went farther than either Mr. Truman or Mr. Keyserling down Confidence Lane. In a "separate note" he dissociated himself from the Council's analysis of needs, prospects, and policies, and said:

"Continued Government expenditures for goods and services upon the planned mobilization scale will, in my opinion, support a fully employed economy. If business slows down, the policies adopted during the past 20 years should bring about an early reversal of the downward trend, as they did in 1949, without any additional action by Government. If trouble develops in the economy by 1955, it will be due to conditions, international or political, which are outside the ordinary processes of the domestic economy and which cannot be foreseen now."

I find no occasion for surprise in any one of these three quotations—all parts of the valedictory of the departing Administration. What I *am* surprised at—and more puzzled by—is the extent to which business executives and business economists — neither Democrats nor New Dealers—have joined in this carefree chorus. Not only do these spokesmen from the business world express confidence that 1953 will be a year of good business but, again and again, they voice the assurance that any downturn, when it comes, will be "mild and of short duration." They lay great stress on the fact that housing starts remain unexpectedly high, that industrial and commercial intentions to expand or improve are well up to those of last year, and labor's weekly earnings still rising rather than falling off. But to me these expressions seem more reminiscent of businessmen's shortsightedness on past occasions than convincing as to the economic stability of our future. With both Democrats and Republicans lauding the importance of business confidence, it is worth remembering that, while a lack of confidence is indubitably a weakening feature in an enterprise economy, mere confidence will not indefinitely shore up a shaky economic structure.

Confidence in What?

This moves me to take a little closer look at the foundation on which the present structure of confidence is being erected. First is the reliance on the innate vigor of our economic expansion. Sometimes it stresses population growth, sometimes the advance in technology, sometimes the mystical levitation of rising standards of living, sometimes the improvement in our economic institutions. To a considerable extent in recent weeks, there has been a tendency not so much to bother with analysis of any particular source of strength in the future outlook as to express confidence in our new leader—to believe that with Mr. Eisenhower and the Republicans we shall clean up the "economic mess in Washington," return to economic soundness, and stabilize prosperity. Personally, I think that to rely on either the physical factors of population growth and technological progress or the spiritual factor of "sound leadership" requires some further examination.

Let us grant that we are in a "growth situation" and that we have a much better institutional setup in general than in 1929 (even though there are still some "bugs" in it). The issue still comes down to one of how responsible individuals and powerful groups will perform under the conditions that will be presented during the next few years. Here I find more cause for uneasiness than for confidence. I want to direct your attention therefore first to a reexamination of the basis of the confidence we have in the "new management" that has just taken over. Second, I want to apply this analysis to the problem of how the human mass that makes up our economy will behave under the situations likely to develop under this new management.

There is a basic contradiction in the explanations given for business confidence in the next five years. One is based on the commitments made for high-level Government spending, the accompanying high business spending, and the resultant high consumer spending. The other rests on the faith of businessmen and private citizens that the new Administration will bring sound management into governmental affairs. But we can't have it both ways. If President Eisenhower and the Republican Administration really keep their promise to balance the budget, restore the value of the dollar, eliminate waste, and bring about efficiency in all Government operations, there must be a decline in Government spending, a weakened inducement for business spending, and a lessened power of consumer spending. Government economy is a consummation devoutly to be wished, but its implications for the market in which manufacturers and merchants, bankers, farmers, and working people deal must not be overlooked.

If the budget is balanced by pruning $10 billion of prospective expenditure from Government operation, there will be $10 billion less of immediate payroll and procurement to support the market as it is now operating. Will an offsetting $10 billion of private wages and purchases come into the market? This is a substantial reconversion operation. I do not say that it cannot be effected by the technological skill, the economic sophistication and the economic enterprise of our people. But I think that, instead of its being an automatic process either of the Unseen Hand of classic tradition or the seen mechanisms of built-in stability, it will take a lot of doing by business firms and individuals, possessed both of economic savvy and of goodwill. It will at best take some time to effect the transition and some patience and tolerance during the lag.

In the camp of the optimists, it is argued that our rising productivity blunts the danger of inflation and that the expanding flow of goods provides for rising standards of living and adequate incentive to both employer and employee. It may, however, be argued with equal cogency that this rising productivity is itself the economic problem of our times rather than the answer to the problem.

From certain labor union leaders as well as from professional economists, we have the statement that the pending problem is that of "learning to distribute abundance." Labor's fight for what it regards as its fair share has been one aspect of the inflation process of the last seven years and it can hardly be

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*An address by Dr. Nourse at the Eighth Annual Conference of New York University Graduate School of Business sponsored by the Mortgage Bankers Association of America, New York City, January 27, 1953.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Breakdown of Government Bond Portfolios of New York City Banks — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Canadian Oil—Memorandum—McLeod, Young, Weir & Co., 50 King Street West, Toronto, Ont., Canada.

Investor's Aid — 10th edition of brochure containing basic figures on over 200 securities selected for 1953 investment—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Natural Gas in Canada—Bulletin—Nesbitt, Thomson and Company, Ltd., 355 St. James Street, West, Montreal, Que., Canada.

New York Bank Stocks—83rd quarterly comparison of leading banks and trust companies of New York—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, **both as to** yield and market performance over a **13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4,** New York.

Packing Industry—Analysis with particular reference to **Armour & Company, Swift & Company, Cudahy Packing Company, Hygrade Food Products Corp., and Wilson & Co.**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Principles of Investment—Study—Department CF-7 Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y. Also available is a **Study of Investment of Pensions Plan Funds.**

Public Utility Common Stocks—Comparative tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Tidelands—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Treasury Exchange Offering—Analysis—Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, N. Y.

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American Maracaibo Co. — Memorandum — Reich & Co., 39 Broadway, New York 6, N. Y.

American States Oil Co.—Data—Greenfield & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Atlas Plywood Corporation—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Bank of Tokyo—Analysis—Nomura Securities Co., Ltd., 1, 1-Chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo. Also available is a bulletin of quotations on the Tokyo Securities Exchange.

Baltimore Transit Company—Analysis—J. V. Manganaro Co., 50 Broad Street, New York 4, N. Y.

Central Maine Power Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Central Public Utility—Special study (ask for Highlights No. 19)—Troster, Singer & Co., 74 Trinity Place, New York 6, New York.

Consolidated Paper Corporation, Ltd.—Analysis—L. S. Jackson Company, Limited, 132 St. James Street, West, Montreal, Que, Canada.

Craddock-Terry Shoe Corporation — Analysis—Strader, Taylor & Co., Inc., Peoples National Bank Building, Lynchburg, Va.

Federation Bank & Trust Company of New York—Circular—I. George Weston & Sons, 210 Broadway, Long Branch, N. J.

Fiduciary Management, Inc.—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Frobisher Limited—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available in the same bulletin is an analysis of **Falconbridge Nickel Mines Ltd.**

W. R. Grace & Co.—Illustrated analytical brochure—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Harrisburg Steel Corporation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Schering Corp.**

Hollinger Consolidated Gold Mines, Ltd.—C. C. Fields & Co., 200 Bay Street, Toronto, Ont., Canada.

Illinois Terminal Railroad—Analysis—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Iowa Southern Utilities Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street New York 5, N. Y.

La Salle National Bank of Chicago—Memorandum—The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

Loblaw Groceterias—Memorandum—Collier, Norris & Quinlan, Aldred Building, Montreal, Que., Canada.

Missouri Pacific — Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Missouri Pacific Railroad—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

National Lead—Memorandum—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

National Rubber Machinery Company — Analysis — H. E. Herrman & Cohen, 14 Wall Street, New York 5, N. Y.

Nickel Plate Road—Reprints of address by Lynne L. White, President of the Road before the New York Society of Security Analysts, Inc.—Nickel Plate Road, Room 2510, Terminal Tower, Cleveland 13, Ohio.

Nuclear Instrument & Chemical Corporation—Special Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Palace Corp.—Memorandum—H. M. Byllesby & Company, Incorporated, 63 Wall Street, New York 5, N. Y.

Philco Corp.—Memorandum—Hirsch &Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Southern Natural Gas Co.**

Riverside Cement Co. — Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Republic Pictures Corporation—Analysis—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Rio Grande Valley Gas — Brief discussion in "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in the same issue is a list of **Portfolio** suggestions and **1953 Tax Free Income** issues, and a bulletin discussing **Stocks vs. Bonds for Maintaining Real Income.**

Southern Railway—Data—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Super Cold Corporation—Bulletin—Lewis & Stoehr, Inc., 80 Broad Street, New York 4, N. Y.

Title Guarantee and Trust Company of New York—Analysis—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y.

Washington Water Power Co.—Analysis—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

Weedon Pyrite & Copper—Memorandum—MacNames & Co., Ltd., 66 King Street, West, Toronto, Ont., Canada.

Westinghouse Electric Co.—Memorandum—Rotan, Mosle & Moreland, 705 Travis Street, Houston 2, Tex.

Westpan Hydrocarbon Co.—Memorandum—B. G. Phillips & Co., 44 Wall Street, New York 5, N. Y.

Wisconsin Public Service Corp.—Memorandum—The Marshall Co., 765 North Water Street, Milwaukee 1, Wis.

Pan American Sulphur Stock at $7 per Share

Pan American Sulphur Co., incorporated in 1947 to explore and develop sulphur concessions in Mexico, is offering to holders of its capital stock rights to subscribe, at $7 a share, for 499,325 shares of capital stock at the rate of one (1) additional share for each 2½ shares held of record on Feb. 4, 1953. Rights to subscribe expire at 3:30 p.m. (EST) on Feb. 18, 1953. The offering is being underwritten by Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co.

The sulphur concessions of Pan American are located on the Isthmus of Tehuantepec in Southern Mexico. All the wells drilled to date are, the company stated, on what is believed to be one sulphur dome lying in the concessions known as Jaltipan and Potrerillos, which are located principally in the Municipality of Jaltipan. Proven sulphur reserves in these two concessions are computed, on the basis of the wells drilled so far, at 7,257,401 long tons and probable additional reserves at 4,570,510 long tons. A substantial part of the structure of the concessions remains to be explored and, according to the company, the extent of any reserves in the unexplored area is not known.

Pan American has arranged with the Export-Import Bank of Washington for a loan of $3,664,000, which funds, together with approximately $1,986,000 of the net proceeds from the sale of the shares, will be used to finance the construction of a plant, at an estimated cost of $5,650,000, for the production of sulphur from those concessions. The plant will employ the Frasch process of production and will have a capacity of 3,300,000 gallons of hot water per day. Construction work is expected to start not later than May 15, 1953 and to require a period of 18 to 24 months. The balance of the net proceeds from issuance of the additional shares will be applied to repayment of bank loans, further exploratory and development work, for payment of interest on the Export-Import Bank loan and of overhead during the construction period, and for working capital after the sulphur plant commences operations.

Upon completion of the offering and after giving effect to the Export-Import Bank credit, Pan American will have outstanding 1,747,639 shares of capital stock and a $3,664,000 5% promissory note representing the credit.

Phila. Inv. Women Lecture Meeting

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its fifth educational lecture under sponsorship of the Philadelphia-Baltimore Stock Exchange at 5:15 p. m. Tuesday, Feb. 10th, in the board room of the Fidelity-Philadelphia Trust Company. The speakers will be Mr. Archibald DeB. Johnson, Vice-President of the Philadelphia National Bank, and Mr. John R. Huhn, Vice-President of the Stock Clearing Corporation of Philadelphia. Their subject will be "Brokerage Clearances."

Happy Grandpa to You

Harry L. Arnold

Harry L. Arnold, Goldman, Sachs & Co., New York City, President of the National Security Traders Association, has now entered the ranks of proud grandparents, with a granddaughter, Alice Denise Bailey, born on Feb. 2nd.

$100 Million Bonds Of State of California Offered to Investors

Merged groups headed by Bank of America N. T. & S. A., and Bankers Trust Company are offering $100,000,000 State of California 2½%, 2% and 2¼% Veterans' Bonds, Act of 1951, Series D, maturing from Aug. 1, 1954 to 1973. The bonds are scaled from a yield of 1.10% to a dollar price of 99½, according to maturity.

Bonds maturing on and after Aug. 1, 1969 are subject to redemption Aug. 1, 1968 at par and accrued interest.

In the opinion of counsel, these bonds will be general obligations of the State of California, payable in accordance with the Veterans' Bond Act of 1951 out of the general fund of the State. The bonds are authorized for the purpose of assisting California war veterans to acquire farms and homes, the cost of which must be repaid to the State on an amortized purchase basis.

(Official re-offering advertisement showing names of associate underwriters, etc., appears on page seven.)

(Official re-offering advertisement showing names of associate underwriters, etc., appears on page seven.)

Now Parker & Co.

POUGHKEEPSIE, N. Y.—Samuel Pedolsky, 18 Liberty Street, is now conducting his investment business under the firm name of Parker & Co.

Proposals for Stimulating NYSE Trading

Survey by Special Committee, headed by Joseph Klingenstein, presents recommendations aiming at increase in floor transactions on New York Stock Exchange. Finds gradual attrition of auction market due in part to Federal laws and regulations originated in 1930's.

G. Keith Funston, President of the New York Stock Exchange, on Feb. 3 released the report of a Special Committee, headed by Joseph Klingenstein of Wertheim & Co., and appointed last August to make studies and recommendations covering the operations and responsibilities of the Stock Exchange, with a view to broadening the auction market in securities and increasing the volume of Stock Exchange transactions.

G. Keith Funston

"The Committee," Mr. Funston explained, in making public the Committee's report, "has explored practically every phase of our activities—the importance to our economy of a free and broad auction market in securities, our obligations to the public and to industry, our relations with government and the Exchange's own rules and regulations. The Committee approached its task with objectivity and thoroughness and has produced a timely and excellent report.

"One of the most significant recommendations," Mr. Funston pointed out, "would open up the Exchange membership to corporations for the first time in the 160-year history of the Exchange. Although this proposal has been rejected by the membership on previous occasions, the Committee presented strong arguments that, in the best interest of the public and the securities industry, the Constitution of the Exchange should be amended to provide for Permissive Incorporation."

Other recommendations included:

Immediate Federal tax reform; elimination of the New York State stock transfer tax; specific modifications of the Securities Act of 1933 and the Securities Exchange Act of 1934; a new basis for computing margins; internal changes in the Exchange to provide for a more liquid market; closer liaison with banks and other fiduciaries to clarify the importance to them of the Exchange market; more vigorous efforts by the Exchange and the Exchange membership to list qualified companies.

"Some of the recommendations of the Committee," Mr. Funston commented, "will have far-reaching effects on our business if they are approved. Some may appear radical; some coincide with current objectives of the Exchange. Each recommendation has my full support."

The Committee found that the inability of the market in recent years to develop the breadth required for an expanding economy was due in large part to two factors.

"(1) Political and economic policies—such as the Federal tax program — over which the Exchange has no control.

"(2) Certain restrictive provision of the Securities Acts which discriminate against organized markets.

"At the same time," the report added, "the Committee is aware that the Exchange and the Exchange community have not attacked with sufficient vigor the problems which we are able to solve."

The report was accepted by the Board of Governors of the Exchange, at the monthly policy meeting on Jan. 15, for consideration and such action as the Board deems advisable. Only one proposal, Permissive Incorporation, which would involve a revision in the Constitution of the Exchange, must be submitted to the membership for approval.

Mr. Funston said that he appointed the Special Committee to inquire into the present state of the auction market and to recommend ways and means to broaden and improve it.

"The plain fact," Mr. Funston said, "is that the Stock Exchange and the equity capital market have not been making the maximum effective contribution to our nation's economic growth. I wanted to find out why and I believe we have the answer in the Committee's report."

Among specific proposals of the Committee were:

Federal Taxes: A reduction in the holding period of the Capital Gains Tax Law from six to three months and a 50% cut in the effective rate on capital gains; an increase from $1,000 to $5,000 a year in the allowable capital loss deduction from income, excess losses to be carried over, as at present, for five years; an individual income tax credit of 10% of dividends received on equity securities.

The broad objectives of these proposals, the Committee said, should be the eventual elimination of any tax on capital gains and of double taxation of dividends.

Stock Transfer Taxes: Elimination of the New York State Tax on the transfer of securities. This New York tax, the Committee pointed out, is diverting securities business from this state to exchanges in states which haxe no transfer tax and to states where the rate is substantially lower.

Margins: The Committee recommends that the Exchange work out with the Federal Reserve Board a long-term policy of fixing margin rates on the basis of credit conditions prevailing in the securities business. In view of the present extremely limited amount of credit in use in the securities market, the Committee recommended a reduction in the current rate to 40% from 75%.

Institutional Purchases and Sales of Securities: The Committee recommended that banks, insurance companies, trust and pension funds be informed that the increasing diversion of their business from the Exchange tends eventually to impair the liquidity of their holdings. This trend, the Committee stated, has been accelerated because dealings at a net price obscures the fact that the equivalent of a commission may already be included in the price; adding that, in many cases, a commission is nevertheless charged to the customer.

Specialists: The Committee recommended vigorous enforcement of Exchange policy which requires the specialists to buy or sell enough stock for his own account to maintain an orderly liquid market; enlargement of the financial resources available to the specialist; and creation of a system to permit specialists to compete more effectively with non-members in the purchase and sale of listed stocks.

Off-Floor Trading in Listed Securities: The Committee pointed out that under existing rules and regulations the Exchange market is at a disadvantage in competing with the over-the-counter market in the distribution of blocks of listed securities. To place the two markets on a more equal basis, the Committee recommended that a member or member firm selling a block of listed securities for their own account or the account of a customer be permitted to pay a special fee or commission to another member firm for bringing purchase orders to the floor to absorb the block.

Permissive Incorporation: The Committee expressed the belief that an important contributory factor to recent low trading volume on the Exchange is the large group of security dealers not members of the Exchange who do business in unlisted securities or in listed securities off the Exchange. The Committee recommended that non-members be allowed to join the Exchange even though they do business as corporations, in those cases where voting stock is held by persons actively engaged in the business of the corporation. Banks, investment trusts or insurance companies would not be eligible. The same close control could be maintained over member corporations, the Committee said, as is now exercised over member firms, their partners and employees. This change would also enable present partnerships to adopt the corporate form of doing business.

Listing Requirements: The Committee considered the argument that additional business would be created by lowering listing requirements. The argument was rejected on the grounds that lower listing standards would not be in the public interest and would interfere with the functioning of other exchanges whose real purpose should be to create a market for securities of the hundreds of companies which, although they may be sound, have not yet developed in the size or stature which would qualify them for Stock Exchange listing. The committee also stated its conviction that it is unsound and not in the public interest for an exchange to make transactions in stocks which have their primary market on another exchange, because such dealing dilutes the primary market and, to that extent, impairs the primary market's usefulness to the public.

Floor Traders: The member who trades only for his own account can contribute more effectively to the liquidity of the market and the Committee recommended certain changes in the rules to encourage him to do so.

The Securities Act of 1933 and the Securities Exchange Act 1934: The Committee made a number of technical recommendations aimed largely at increasing the liquidity of the market.

One proposed amendment to the 1934 Act deals with the unfair use of information available to so-called insiders. The section affected (16[b]) provides that a corporation may sue for the recovery of any profit made by an insider who purchased and sold a corporation's equity securities within a period of less than six months. Any person subject to the statute is, the Committee pointed out, in effect conclusively presumed to have made an unfair use of information if he buys and sells within a period of six months, no matter what the facts are.

The Committee recommended repeal of this section and also proposed to shorten to seven days the period in which insider transactions must be reported. At present such transactions must be reported within the first 10 days of the month following the month in which the transaction was made.

"We believe," the Committee said, "that this information thus reported would be of far greater significance and value to the investing public."

Members of the Special Committee, in addition to Mr. Klingenstein, were: William K. Beckers, of Spencer Trask & Co.; Robert P. Boylan, at E. F. Hutton & Co.; John A. Coleman, of Adler, Coleman & Co.; Charles B. Harding, of Smith, Barney & Co.; George R. Kantzler, of E. F. Hutton & Co.; John L. Loeb, of Carl M. Loeb, Rhoades & Co.; Robert A. Magowan, of Merrill Lynch, Pierce, Fenner & Beane; Wesley A. Stanger, Jr., of Riter & Co.; Percy M. Stewart, of Kuhn, Loeb & Co., and Robert L. Stott, of Wagner, Stott & Co.

Business Is Good, but Competition Will Squeeze Profits

By ROY A. FOULKE*

Vice-President, Dun & Bradstreet, Inc., New York

Mr. Foulke finds immediate outlook good for business and banking, but how long boom will last "no one knows." Says sales will continue at high level, but competition will squeeze profits in consumer goods industries. Foresees little reduction in Federal Budget.

You will recall that we had two periods of scare consumer buying —one immediately after the outbreak of the Korean war in June, 1950, and the other when the Chinese entered the conflict in January, 1951. As a result of that scare buying, heavy forward orders for raw materials were placed by mills and for finished goods by wholesalers and retailers. That meant heavy inventories of consumer goods from the third quarter of 1950, to the third quarter of 1952, increasing competition in the sale of those goods, some cutting of prices, some withholding of forward orders, and some shrinkage in sales and profits.

Roy A. Foulke

*An address by Mr. Foulke before the National Credit Conference of the American Bankers Association, Chicago, Ill., January 27, 1953.

We are now going through a period when new balances are being worked out in everyday business in production, forward orders, inventories, and prices in consumer goods. That is the most natural thing in the world; and in that process we shall now have a period, unless some new calamity arises or is created by political expediency, when prices and values will, as they should, affect supply and demand. That will mean in 1953, business at a high level, but competition which should reduce prices somewhat and, in that process, cut into net profits.

That is the broad picture for our 1,660,000 retailers, for our 210,000 wholesalers, and for the manufacturers producing consumer goods. The highlight, I would like to repeat, is on increasing competition in the production and distribution of consumer goods, competition which we have not had for 14 years; and on smaller profit margins. That, however, is only part of the business picture. The other part comprises our hard goods industries which have those tremendous orders for defense equipment, materials, and supplies. How about them?

Hard Goods Industries

By and large, the concerns in the hard goods industries have booked billions upon billions of dollars of forward orders—prime contractors, subcontractors, and sub-subcontractors; many are looking for more employees; many are still building additions to their plant facilities to handle the increased volume; and practically all are making substantial profits on Government orders. If the new Administration is firm in its insistence on reducing expenditures and balancing the budget, some portion of these commitments will need to be canceled, or deliveries will have to be stretched out. A release from Washington dated last Dec. 9, indicated some stretch-out had already been put into effect in the production of M-48 and M-47 tanks and 2½-ton trucks. It will be interesting to see if additional cutbacks or cancelations are put into effect by the new Secretary of Defense in the months immediately ahead.

On Sept. 8, 1952, when Robert C. Turner was inducted as a member of the Council of Economic Advisers to the President, he stated that "defense" expenditures were virtually at their peak and that it would "be a difficult and delicate job to maintain" as he termed it "present prosperity." When the stock market took a sharp dip the following day, John R. Steelman, Assistant to the President, and Henry H. Fowler, Director of Defense Mobilization, pointed out that this was not so. Expenditures for national security at that time were running at the rate of $12¼ billion per quarter and would reach a peak of around $14 billion, they said, probably around the middle of 1953, and would then level off for about two years if, I would add, there were no new "emergencies." That means continued heavy Federal expenditures even after the leveling-off process in the hard goods industries.

All in all, the immediate outlook for business in this year of 1953 is bright. Awards of construction contracts, representing work to be done in the future, have continued on a high level. Labor is the most fully employed in our history on the highest hourly rates on record. Sales will continue at a high level; but competition will squeeze profits in the consumer goods industries at all levels — manufacturing, wholesaling, and retailing. In the hard goods industries producing for the Federal Government, the outlook is bright even if there might well be some cancellations, cutbacks, and stretch-outs.

Now, how about the long-term viewpoint. This is a little more complicated.

Budget and Taxes

For the year ending June 30, 1950, the year preceding the opening of our "police action" in Korea, our expenditures for national security were $17.6 billion. In the year ending June 30, 1951, the first full year of the Korean war, our expenditures for national security were $27.1 billion, an increase of 54%. For the year ending June 30, 1952, they amounted to $46.2 billion, an increase of 70% over fiscal 1951.

Total expenditures of the Federal Government for the current fiscal year which ends next June 30 were estimated in the budget at $79 billion, of which 74% or $58 billion was for national security. Receipts were estimated at $68.7 billion, indicating that we were in for a deficit of approximately $10.3 billion in this current fiscal year. In December, it was stated that the deficit might drop to $6 billion from the estimated $10.3 billion as the Defense Department, like Brewster in "Brewster's Millions," was actually having difficulty in spending its money fast enough.

During the past three months, we have been in the political throes of reducing the 1953-54 budget verbally. Senator Taft and Representative John Taber, the new Chairman of the House Appropriations Committee, have been the most consistent advocates of a reduction in this budget to $70 billion, and the budget in the following year to $60 billion. General Eisenhower campaigned strongly on that basis. This last Truman budget for the coming fiscal year was submitted to the 83rd Congress on Friday, Jan. 9, 1953, 11 days before General Eisenhower was inaugurated as President.

Now how about this budget? What effect will it have on business? Let us see. That budget outlined expenditures of $78.6 billion, and income of $68.7 billion, leaving a deficit of $9.9 billion. We are now in a position to watch what the incoming Administration can and will do. Will that 1953-1954 budget be trimmed to $70 billion during the early months of this year, or will it follow what in the past two decades has become traditional politician campaign oratory, and remain largely untouched. That is no simple problem to the businessman because on that action will stem a continuation of our 20 years of unimpeded inflation or finally, at long last or temporarily, as the case may be, a halt in that process, and simultaneously some respect for promises made in public life.

Perhaps a little history is in order. Many people have long forgotten that the Democratic platform of 1932 was the most conservative and in many respects the soundest from an economic viewpoint that has been offered to the American voters in recent decades. In ringing words, that platform pledged a drastic reduction of at least 25% in Federal expenditures when annual Federal expenditures were only $4.5 billion—5½% of our current annual expenditures — a budget balanced annually, and a "sound currency to be preserved at all hazards." You know what happened. Not one finger was raised to put that program into effect. We have had 20 years of deficit spending, of pump - priming, of compensatory spending, of economic nostrums, of gravy trains, of pressure groups, of perpetual-motion economics; and we are all paying for it with higher and higher prices and less and less for our savings and our life insurance.

We are now on a new plateau of prices, both wholesale prices and retail prices, due to the tremendous increase in the quantity of purchasing media, brought about by monetizing 20 years of deficit spending. Unless that deficit spending is halted by bold measures by the incoming Administration—that is only saying that unless the new Administration lives up to the promises its leaders gave over and over again to the public during the campaign of last autumn—we shall have more inflation over the years.

The problem of cutting this 1953-1954 budget from $78.6 billion to $70 billion is no simple problem. It is no simple problem because the budget is loaded with spending commitments already authorized by Congress. For example, the budget includes $7.8 billion for foreign aid. Somewhat over $5.5 billion of that money was appropriated in prior years by Congress, and a substantial portion is already tied up in contracts. That leaves only $2.3 billion in this item to play around with. I point this out to indicate the problems involved in cutting this budget to $70 billion, and still that is the commitment made by the incoming Administration. If this objective is reached, it will mean abandoning many programs, whittling others, and starting no new ones. I don't need to tell you what an extremely difficult program that is, particularly when it means cutting some fat even off the defense program. Let us hope at long last that the spirit and determination is there; but as bankers and businessmen, we will believe it when we see it, no sooner.

Moreover, if the budget for next year is cut to $70 billion by the most heroic of efforts, there will still be the problem of balancing the budget. The Excess Profits Tax expires June 30, and there is every indication that it will not be extended. That will mean a decrease of $2.5 billion in estimated income for next year. Whether the normal corporate income tax will be increased or not, to make up this decrease, is questionable in view of the tremendous pressure to cut taxes someway somehow.

Summary

So there we are. The immediate outlook is bright with increasing sales, somewhat smaller profits due to the competition squeeze, with little change in wholesale or retail prices, high employment at the highest wage rates in history, a low rate of business failures (in 1952 they were 6% below 1951 and 17% below 1949), and a high backlog of orders in the hard goods industries producing for defense.

These conditions are descriptive of boom conditions, but for how long no one knows. We must keep in mind that economic life is a fluctuating reality, and no way has yet been found to keep our economy or any other economy on a constant high level of activity. It is during boom periods that the seeds are always sown for the difficulties of the succeeding eventual downturn, and it is during periods of downward fluctuating activity that credit and financial problems increase and multiply. To the extent that such problems are anticipated by each of us in our daily work, the impact can be very materially lessened.

J. C. Luitweiler With Hayden, Stone & Co.

James C. Luitweiler

James C. Luitweiler has joined the staff of Hayden, Stone & Co., members of the New York Stock Exchange and other leading Exchanges, as registered representative in their midtown office at 575 Madison Avenue, New York City. Mr. Luitweiler was formerly for many years partner in Bendix, Luitweiler & Co.

J. P. Masterson Joins Quincy Cass Associates

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John P. Masterson has become associated with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange. Mr. Masterson has recently been with Hannaford & Talbot. In the past he was Manager of the Trading Department of the California Bank.

Donald H. Norwood has also been added to the firm's staff.

Another Florida Land Boom!

By ROGER W. BABSON

Mr. Babson sees another Florida land boom in the making, and gives advice to prospective purchasers of Florida real estate. Says Florida has a good future, but this does not mean small homes in Florida or elsewhere are a "good speculation." Says best buy is vacant land, located where some day it may be needed for parking space.

There appears to be the making of another real estate boom here in Florida, although I cannot believe it will run into any such proportions as did the one which started 28 years ago. Considerable Canadian money is coming here—also money from Texas and California.

Roger W. Babson

The bankers here say that a Florida boom, differing in "size," has come every generation. They say that those who lost money in the last Florida boom will not get caught again; but younger ones, who are now around 40, were then too young to know what happened in the last boom. This younger generation, however, is now getting ready to try its luck at investing in Florida.

Already middle-aged people from the North are asking me what to buy. My first answer is to buy for cash only—not on mortgage—and to use the same common sense as they would use when buying land in their own home state. Second — buy something which they could use themselves or rent in case they cannot sell it. Third — buy something which they have first seen; then wait until they get back North again before making the actual purchase; that is, take time to think things over.

Florida Has a Good Future

With the exception of the Pacific Coast and the Southwest, very few states can equal Florida for a winter climate. There is also a possibility of discovering oil in any part of Florida—this possibility, however, applies also to many other States. Therefore, in view of its comparable closeness to the big industrial centers of New England, New York, Pennsylania, Ohio, Illinois and certain other States, Florida is especially well located for those retiring on pensions. Furthermore, the good roads, low living costs and tax advantages make Florida attractive. Hence, I believe there will be much activity here in the building of small homes.

This, however, does not mean that small homes in Florida or elsewhere are a good **"speculation."** As to agricultural land. I am not an expert judge; but I believe that every State has its advantages and disadvantages for farming. An experienced and hard-working farmer with capital could do well anywhere; while a novice at farming will lose money anywhere. This also applies to raising fruit, or raising cattle, or raising chickens. I have seen more money lost in farming than even in the stock market—and this is saying much! **If you buy land for farming be sure it is near a U. S. Experiment Station.**

What I Would Buy

My first purchase would be a small home in an average, growing community, with as much land as I could afford. My building would **depreciate** from the day I bought it; but the land should **appreciate.** Such a home should lengthen my life, be a good hedge against inflation, and be easy to sell. The demands for such well-located, small homes should increase. It, however, should be within a mile of a grocery store, church and post office, and in a good neighborhood.

"But what next should I buy?" you ask. Well, I would buy no acreage just because it seems "cheap" at $10 an acre, compared with $100 per acre in your own State! There is an awful lot of Florida land good only for holding the world together! You are probably not experienced enough to speculate in groves, pasturage or farm land. But here is a suggestion. **Florida is growing fast.** When motoring about, if you see vacant land adjoining a chain store, or factory, or filling station, or even a church, which land can be bought cheap, buy it. It will be needed sometime for parking or for a motel. Native Floridians are blind to this future demand for parking space. Furthermore, this applies to the old-timers of every State in the Union, including the community where you are reading this column. Hence, I say that the "best buy" in every community anywhere, in my humble opinion, is vacant land located so it will some day be needed for parking space.

Lester, Ryons Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harris M. Melasky has joined the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges.

Reynolds Appoints Devlin Mun. Mgr.

William A. Devlin

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that William A. Devlin has been appointed manager of the firm's Municipal Bond Department. Mr. Devlin has been associated with Reynolds & Co. for a number of years.

With Daniel Reeves Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Anton Gaspich has become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. Mr. Gaspich was formerly with Hill Richards & Co., and Gross, Rogers & Co.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The 17th Annual Dinner of the Security Traders Association of New York will be held at the Waldorf Astoria on Friday evening, May 8, 1953. Dinner tickets will be $15 per person, all taxes included, and dress as usual will be informal. Salvatore Rappa's (F. S. Moseley & Co.) Arrangements Committee has some unusual and excellent plans for this dinner and anticipates a complete sellout. The Committee therefore suggests immediate dinner and hotel reservations be made so that the best interests of all may be served.

Dinner Reservations are in charge of Charles M. Zingraf, Laurence M. Marks & Co. **Hotel Reservations**, Daniel D. McCarthy, Union Securities Corp.

The Souvenir Journal the last two years was very successful, and this year this Committee under the Chairmanship of Soron D. Neilsen, New York Hanseatic Corp., anticipates a bigger and better Journal and since the Gratuity Fund is the real beneficiary the Committee will appreciate it if the membership will give it all the help they can.

Security Traders Association of New York (STANY) Bowling League Standing as Jan. 29, 1953 is as follows:

Team:	Points
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	14
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	10½
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Corby	10
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	9
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	9
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	9
Goodman (Capt.), Smith, Valentine, Meyer, Farrel, Brown	7
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	5
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	4½
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	4
Growney (Capt.), Craig, Fredericks, Bies, McGovern	4
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	4

200 Point Club		5 Point Club
Sal Rappa	220	
George Leone	209	Will Krisam
Cy Bies	209	
Richy Goodman	201	

BOND TRADERS CLUB OF CHICAGO

At the annual winter dinner of the Bond Traders Club of Chicago the following awards were made for scores in the Bowling Tournament:

First of Michigan Corporation Cup to winning team was won by a Chicago group consisting of Lawrence Marr, Ames, Emerich & Co., Carl Hartwig, Link, Gorman, Peck & Co., David Burke, Blunt Ellis & Simmons, Donald Muller, Harris, Upham & Co. and Walter Strait, Swift, Henke & Co.

Individual awards were made to Robert Erb, Green, Erb & Co., Cleveland for individual high series (576); to Frederick Cook, H. M. Byllesby & Company, Inc., individual high game (201); and Milton J. Isaacs, Straus, Blosser & McDowell, individual high series "Net" (588).

Richard A. Wernecke, Paul H. Davis & Co., was Chairman of the Bowling Committee.

Factors Promoting Prosperity

By ARNO H. JOHNSON*

Vice-President and Director of Research
J. Walter Thompson Company, New York

Asserting we are behind our productive ability in our present living standards, prominent research specialist lists as hidden pressures for expansion: (1) high discretionary spending power of people; (2) favorable age make-up of population; (3) better educated populace; (4) need of less obsolete and better dwellings; (5) increasing use and demand for motor vehicles, and (6) shift of farm population to urban areas. Says conflict of advancing standard of living with defense needs is relatively small and a 10% increase in living standards could offset defense slump.

1953 can be a year of opportunity for expansion in our living standards. Continuation of our present production trends would make possible a 10% increase this year in our standard of living — 10% greater sales of goods and services to consumers—while meeting defense needs at the same time.

Arno H. Johnson

But we should drive forward to the still greater opportunity that exists for an American standard of living in the near future at least one-third better than we now have. In fact, our productive ability is such that we should be at that third higher level of living right now.

A pyramid of fear and uncertainty is being built up on the base of a probable slackening off and then substantial cuts in defense or other government expenditures some time in 1953 or 1954. It is said that the reduction will bring on a period of depression and unemployment.

Such cuts in government expenditures could start a downward cycle, largely psychological. But the opportunity exists for just the opposite—for a rapid expansion in our standard of living. There is evidence that both our productive ability and our ability to consume have changed so much from prewar standards that we could have an expanding prosperity for some years to come, starting in 1953—and that we can maintain a strong defense at the same time.

Here are some of the facts to consider:

(1) Between the war peak of 1944 and the postwar low of 1947 we survived a cut in defense expenditures the equal of $125 billion in present prices—six times as great as the $20 billion cut we may now face. Yet our real standard of living advanced by 38% over our prewar highest level of 1940.

(2) Now, in 1953, only a 10% increase in consumer purchases of goods and services would more than offset as much as a $20 billion cut in defense expenditures.

The American standard of living in 1952 was at a level of $215 billion annually—a 10% increase would absorb an additional $21 billion of production. The maximum level of cuts in government expenditures consistent with a safe defense would not exceed $20 billion from the peak reached in 1953.

The fear of recession in 1953, therefore, seems exaggerated. A relatively small increase in consumer purchases could more than offset any contemplated cut in government expenditures, and the level of purchasing power in the hands of consumers is such that a substantial increase in purchases could occur—offering real opportunities for aggressive marketing.

(3) There is an opportunity for purchasing power in 1953 to be at the highest level in history.

Present production trends point to a 1953 level of $255 billion of disposable personal income after taxes — enough to increase consumption expenditures by 10% over the 1952 level of $215 billion up to $235 billion and still allow a continued high level of over $20 billion in personal savings. (Over 5 times the level of personal savings of $3.7 billion in prewar 1940.)

Purchasing power is created by production, and increased markets result from the basic combination of people, purchasing power, and desire.

(4) In 1953, with consumer prices declining slightly, the American people would have 78% more real purchasing power with which to buy physical units of goods and services than they had in the best prewar year 1940. This is after taking into account the increased personal taxes and after correction for inflation in prices over prewar levels.

(5) We should, and could, have right now a standard of living one third higher based on our proven productive ability.

If we produced no more per capita than we proved we could produce nine years ago, during the 1944 war peak, we could produce enough to carry on a defense level of $40 billion and have goods and services enough for a third higher consumer standard of living. Yet our tools of production and our "know how" have advanced far enough beyond 1944 to make possible a real productivity per capita beyond that needed to support even a third higher consumption.

(6) The one-third higher standard of living which now is possible would so broaden the base for taxes that there could be a 25% cut in tax rates without lowering the present high level of revenue for government and defense.

In other words, we are behind our productive ability in our present living standards. After we pass the peak of defense needs in 1953 we will have the opportunity to start catching up. This can mean a strong and expanding economy at home and a growing market to aid other free nations in trade. It depends largely on the CONSUMER — the level of living he chooses and is willing to work for will determine our economic future.

Unfortunately many economists and government officials in the past seem to have based their projections of the future on the rate of government spending — as if government spending were the assured way to prosperity.

Through years of insidious propaganda we have been taught to believe that only through expanding government expenditures —and war—accompanied by increasing controls and restrictions on private initiative can we have prosperity and full employment. And even our business leaders have fallen increasingly into reliance upon government rather than upon their own initiative and ingenuity, which should be directed instead toward increasing production at lower costs and toward developing and increasing markets for their production. This has led to fear of depression and unemployment if these government expenditures for defense are cut back.

Furthermore, the present high level of income in the United States, resulting from war and defense stimulation, along with inflation, has obscured the opportunities for a still higher real standard of living based on our proven productive ability. The level of prosperity may appear high, but it is not nearly as high as it should be.

Hidden Pressures for Expansion in Standard of Living and Production

There are six powerful, but largely hidden, internal pressures for expansion building up in our economy. In some the pressure is nearing explosive strength. All will have a strong influence during the next five years, both culturally and spiritually as well as in the material sense.

These hidden pressures are:

(1) Change in the discretionary spending power of the mass of the population—now 4½ times greater than in 1940.

Discretionary spending power (the amount of income over and above what would be needed to supply the 1940 per capita level of such necessities as food, clothing, and shelter) is 4½ times as great as in 1940 and represents 53% of income after taxes compared with 35% prewar. As the population learns how to use this new purchasing power the standard of living can expand into increased markets for our production.

(2) Change in the age make-up of our population—with over 65% more children under 5 than in 1940.

This huge increase in the number of children soon will cause public outcry against inadequate school facilities and teachers as well as juvenile delinquency. It will affect housing requirements, food consumption, and many phases of family living.

(3) Change in the education level of our people — with 80% more high school graduates in our adult population than in 1940.

The rapid increase in the proportion of our population with a high school or better education is accelerating the pressure for higher standards of living.

(4) Change in obsolescence and age of our dwellings — with 67% now over 20 years old and 50% over 30 years old.

The majority of our dwellings were built when families had incomes that hardly covered the bare necessities of living, when only 7% of our adults were high school graduates, when there were less than a quarter as many passenger cars and few home comforts or conveniences. Tastes, incomes, education, and modern needs have so changed that a pressure of obsolescence can be far more important to new housing needs than the pressure of additional population.

(5) Change in number of motor vehicles—with 72% more vehicles than in 1940 putting added pressure on roads, streets, garages, and parking facilities that were not adequate even for the lesser number of vehicles in 1940.

(6) Change in our farm population—with a drop of 7½ million since 1940 and a net shift of about 14 million to nonfarm population adding to the need for a high level of nonagricultural production and employment.

Conflict of Advancing Standard of Living With Defense Needs Is Relatively Small

An analysis of total consumer expenditures for goods and services in 1951 showed that only 10% of the $208 billion fell in classifications where there was any serious conflict with the military program. Included in this 10% was the entire grouping of such durable goods as refrigerators, washing machines, sewing machines, electrical appliances, radios, TV sets and automobiles.

An over-all increase of 10% in production of civilian goods and services in 1953, therefore, could be accomplished without serious interference with defense. Such an increase could be an important step in covering the transition from peak defense levels toward the goal of a third better standard of living. But it would require courageous advances in advertising and selling pressure to create the demand.

From a standpoint of government tax revenue, an increase of 10% in personal consumption of items not in conflict with defense would add substantially to the level of corporate profits which was a source of some $27 billion of tax revenue in 1951.

Every effort, of course, should be made to curtail Federal expenditures that are not absolutely essential in building our defense. On the revenue side, however, an increase can be obtained more easily and less painfully by encouraging an over-all increase in production and consumption, thereby broadening the base for taxes rather than by further increase in tax rates which tend to stifle production.

Even in War and Defense Our Standard of Living Has Increased

An analysis of what happened to the real standard of living between 1940 and 1952 shows that our miraculous increase in productivity made possible an increasing standard of living even during all-out war as well as during our present defense economy. (Table I)

When all figures in dollars are converted to 1951 prices in order to remove price fluctuation and to indicate relative physical volume it can be shown that we successfully absorbed the shock of dropping defense production from the war peak in 1944 and had a

TABLE I

Production and Consumption—In 1951 Prices (Billions)

	Prewar 1940	War Peak 1944	Postwar Low 1947	Defense Economy 1952 (2d. Q. Rate)
Gross National Product	$197.4	$316.3	$272.3	$337.3
Defense	4.7	139.3	14.1	50.0
Other Government Expense	25.2	15.2	20.8	28.1
Private Investment	29.6	5.4	47.5	47.3
Personal Consumption	137.9	156.4	189.9	211.9
Durable Goods	15.7	9.4	25.1	25.2
Nondurable Goods	80.3	96.4	107.2	118.0
Services	41.9	50.6	57.6	68.7
Population (millions)	132.1	138.4	144.1	156.7
G.N.P. Per Capita	$1,490	$2,290	$1,890	$2,150

*Part of an address by Mr. Johnson before the Washington Board of Trade Conference, Washington, D. C., January 27, 1953.

substantial advance in the standard of living. The cut-back in defense expenditures from 1944 to 1947 was the equivalent of $125 billion at present prices — yet many now warn of depression if only $20 billion is to be cut from our new defense peak of $60 billion.

A 10% Increase in Standard of Living Could Offset Defense Slump

It would require only a 10% increase in personal consumption expenditures to offset a $20 billion drop in defense production. A change, therefore, in our standard of living of only 10% would be enough to maintain our over-all production at the level anticipated during our peak of defense effort (Table II).

Defense expenditures in the second quarter of 1952 were at the annual rate of $50.0 billion. They are expected to reach a peak of $60 billion in 1953. Then a cut of some $20 billion is anticipated, but few believe that defense expenditures can be lower than $40 billion annually for some years to come.

Our productive ability in 1953 will be such that the $60 billion peak defense can be accomplished and still allow for enough civilian goods and services for further increases in personal consumption—**providing the demand can be created!**

One-Third Higher Standard of Living Possible by 1957 Along With A Strong Defense

Production in 1957 no greater than the per capita rate proved possible in wartime 1944 would mean a gross national production of over $390 billion—enough for continued expansion of civilian goods and services by one-third over present levels even after $40 billion annually for defense, and ample allowance for other government purchases and private investment. The figure of $40 billion for defense is used as a reflection of current estimates that defense may drop $20 billion from peak levels but cannot safely go below $40 billion annually for some years to come.

In terms of constant 1951 dollars our per capita productivity increased from $1,490 in 1940 to $2,290 in 1944 (Real Gross National Product divided by population). A similar per capita productivity for our 170 million population in 1957 could mean a Gross National Product of $390.0 billion in 1957 in terms of 1951 dollars, and could provide the purchasing power for a standard of living approximately one-third higher than at present. (Table III)

The level of productivity necessary to provide for $40 billion of defense and an increase of one-third in the standard of living by 1957 should be considered a minimum opportunity because it would require only reaching the level actually reached per capita in 1944 when our tools of production were far less adequate.

TABLE II

Production and Consumption in 1951 Prices (Billions)

	1952 2nd Quarter Rate	Defense Peak 1953	Defense Slowdown 1954
Gross National Product	$337.3	$355.0	$355.0
Defense	50.0	60.0	*40.0
Other Government Expense	28.1	30.0	30.0
Private Investment	47.3	50.0	50.0
Personal Consumption	211.9	215.0	†235.0

*Down $20 billion. †Up 10%.

TABLE III

Opportunity for Production and Consumption In 1951 Prices (Billions)

	1952 (2nd Qtr. Rate)	Defense Peak 1953	Opportunity 1957
Gross National Product	$337.3	$355.0	$390.0
Defense	50.0	60.0	40.0
Other Government Expense	28.1	30.0	30.0
Private Investment	47.3	50.0	40.0
Personal Consumption	211.9	215.0	*280.0
Population (millions)	156.7	162.0	170.0
Production Per Capita	$2,150	$2,190	†$2,290

*One-third higher. †Same as in 1944 war peak.

Bond Club of Chicago Annual Meeting

CHICAGO, Ill.—The 42nd Annual Meeting of The Bond Club of Chicago will be held at the Mid-Day Club on Wednesday, Feb. 11, 1953.

Cocktails will be served at 6:15 p.m., followed by dinner at 7:15 p.m.

Paul L. Mullaney

Robert B. Whittaker

Paul W. Fairchild

The Nominating Committee, Edward C. George, Harriman Ripley & Co., Inc., Chairman; Ralph Chapman, Farwell, Chapman & Co., and Leo J. Doyle, Doyle, O'Connor & Co., has proposed the following Officers and Directors for the coming year:

President: Paul L. Mullaney, Mullaney, Wells & Company.
Secretary: Robert B. Whittaker, Lee Higginson Corporation.
Treasurer: Paul W. Fairchild, First of Boston Corporation.

For Directors, the above and: Andrew M. Baird, A. G. Becker & Co., Incorporated; John W. Clarke, John W. Clarke & Co.; Joseph E. Dempsey, Dempsey & Company; Robert A. Podesta, Cruttenden & Company; Nelson M. Utley, Halsey, Stuart & Co. Inc.; Thompson M. Wakeley, A. C. Allyn & Company.

Stability in Long-Term Rates Forecast

Dr. Roy L. Reierson, Vice-President in Charge of Economics and Business Research of Bankers Trust Company, New York, foresees stable long-term interest rates in 1953, with demand for investment funds matching supply of new securities.

Demands for investment funds in 1953 will be no larger than in 1952, according to Dr. Roy L. Reierson, Vice-President in charge of the Economics and Business Research Department of Bankers Trust Company of New York. At the same time, the supply of savings, Dr. Reierson holds is likely to match that of last year, and may conceivably be slightly larger. This suggests that "economic forces are not likely to operate in the direction of a persistent upward trend in long-term interest rates in 1953," Dr. Reierson contends.

Roy L. Reierson

Total Borrowing to Remain High

This conclusion is reached in a study entitled "Investment Funds — Supply and Demand" just issued by the Economics Department of the Bank. The study includes statistical data estimating the demand for investment funds in major sectors of the economy. It is assumed that Federal spending will rise only slightly from current levels, and that the new financing requirements of the Treasury in 1953 will be about the same as in 1952. The estimates indicate that state and local governments will increase their net indebtedness by a larger amount than in 1952, but that the net rise in corporate new issues and real estate mortgage debt may be somewhat less than in the previous year.

Savings Institutions to Become Buyers of Governments

The major savings institutions will again accumulate a large volume of savings in 1953, according to Dr. Reierson, whose study also includes estimates of the flow of savings through banks, insurance companies and savings and loan associations. The figures show that in 1953, for the first time since 1946, the major institutional investors will probably become small buyers of government securities, on balance. A significant drop in their sales of governments was recorded in 1952.

The estimates are presented in a series of tables showing data since World War II as well as projections for 1953. They are described as tentative, and may be revised as more complete information becomes available. A brief comment gives the major assumptions and conclusions.

Active Business Foreseen

The study assumes that economic activity, including building, construction and plant investment, will be well maintained for the year as a whole and that the inventory accumulation which began in the fall of 1952 will continue at least through the first half of 1953. For his study, Dr. Reierson also assumes that "there will be no resurgence of inflationary pressures" in 1953.

Treasury Refunding to Affect Rates

The Bank's economist observes that these estimates are made "as part of an effort to appraise the trends of the economic forces that affect the course of long-term interest rates." He cautions, however, that credit and debt management policies are in a state of flux and could operate, at least during part of the year, in the direction of some moderate downward adjustment in bond prices. "Furthermore, so long as investment spending and business activity remain high, and issues of long-term obligations as a part of the Treasury funding program are in prospect, declines in long-term interest rates appear unlikely."

In 1952, the study points out, an "increase in the demand for investment funds was accompanied by a large increase in the flow of savings channeled through the major savings institutions. As a consequence, although minor fluctuations were evident during the year, conditions of approximate stability prevailed during 1952 in the level of long-term interest rates, except in state and municipal obligations where special factors were operating.

Lovett to Rejoin Brown Harriman

Robert A. Lovett, who resigned as Secretary of Defense on January 20, will rejoin the private banking firm of Brown Brothers Harriman & Co., 59 Wall Street, New York City, as a general partner on March 1, 1953.

A partner in the firm for many years prior to World War II, Mr. Lovett has spent the greater part of the past 12 years in government service. During World War II he served as Assistant Secretary of War for Air in charge of the army air program. After resuming his membership in the firm in June, 1946 he was recalled to government service in May, 1947 to become Under Secretary of State. He returned to the firm in April, 1949 but was called to Washington a third time in September, 1950 to become Deputy Secretary of Defense, and succeeded General Marshall as Secretary of Defense a year later.

Robert A. Lovett

Mr. Lovett holds the Distinguished Service Medal for his work in World War II. He served in World War I as a navy pilot, obtaining the rank of Lieutenant Commander and was awarded the Navy Cross.

Joins Staff of Davies

(Special to The Financial Chronicle)

FRESNO, Calif.—Robert L. McKee has been added to the staff of Davies & Co., 808 North Fulton Street.

The Steel Industry Has Its Neck Out

By C. M. WHITE*
President, Republic Steel Corporation

Commenting on huge expansion program of steel industry, Mr. White says fantastic expenditures for new steel capacity arises in large part from threat of government entry into business and fear of nationalization. Says tremendous capacity expansion involves raw material problems of staggering proportions and reveals exploitation of new ore resources. Points out financing difficulties and importance of satisfactory profit-margins to attract private capital.

I have been impressed many times through the long period of steel shortage by the consideration and courtesy we have received from steel buyers nearly everywhere, and particularly here in the Cleveland area. Our attempt to handle our distribution with fairness to all of our customers has kept the door nearly closed on many worthy buyers who may have been left high and dry by some other producer. But there was little we could do about it. We have had our frustrations too, many of them. Life has been made no easier by certain assorted agencies helping us drive from the back seat. At long last, the end of some of these difficulties appears to be approaching.

C. M. White

I say this because, unless I am badly mistaken, the steel industry has its neck out a mile on the huge expansion program in which we have all been engaged. We approached the war in 1940 with 82 million ingot tons of capacity. We came out of the war with 92 million tons. A year ago this had reached 108 million tons. On New Year's Day we had 118 million tons, and before 1953 is over the industry's capacity will be 121 million ingot tons.

This is more than half of all the steel made in the world. Our expansion alone, during and since the war, equals the total capacity of Soviet Russia. If the old axiom is true that wars are won by the side with the dominant supply of the war metal we need have no fears about the outcome of a future war. The big question is whether we could survive another victory like the last one.

The fantastic expenditures for new steel capacity have not been made because our industry is managed by implusive and deckless men. We knew of course, that steel would be called upon to make up the accumulated deficit of hard goods which had been built up during the war and the depression years preceding it. After Korea we knew that we would have to support a garrison state for a long period of time. Some expansion was certainly in order.

Threat of Steel Nationalization

But we are completing a program such as the world has never seen in a comparable period of time. Why? Because had we not done so the government would have entered the steel business on a large scale. The end result could only be nationalization of the entire steel industry. Once accomplished, the nationalization of public transportation, public utilities, and many other basic industries would have been easy and logical steps.

I am not trying to shock you with an extravagant statement. There isn't the slightest question that the emergency created by Korea gave the socialistic planners a golden opportunity to proceed with nationalization plans under the guise of national defense. This is something the American people would never stand for unless they felt their personal security to be at stake. Steel management believed that the staggering expenditure of its own money which has taken place in the past several years was a cheaper price to pay than the expropriation of our total physical assets. Churchill is finding it almost impossible to de-nationalize the relatively small British steel industry. The problem in this country would have been insurmountable.

So where do we find ourselves now? It appears to me that, despite the current tight situation—which is partly a hangover from the strike—we will before too long find ourselves with total capacity considerably in excess of current needs, though some products may remain tight for some time. While the American economy will catch up with us, because it is growing at a tremendous rate, we have overshot the mark by building, in three or four years time, steel capacity which should have been added in a more orderly way through the entire decade of the fifties. Those of us who have been around a while can't forget that in only four peace-time years, out of the 67 years for which records exist, has the steel industry averaged 90% operations. All four of those years have been since the war. Maybe, as some optimists say, we are on a permanently higher plane. I'm sorry that I can't quite believe it.

Raw Material Problems

Such tremendous expansion as we have had in a short period of time involves raw material problems of staggering proportions. Too few people have any conception of their magnitude.

The great free shipping iron ore deposits at the head of lake Superior, upon which our industry has grown to its gigantic size, are approaching depletion. It now appears that ore shipments from that source cannot be maintained at the present rate much longer. While we will continue to get Mesabi ore in declining volume for many years, the end is definitely in sight. All mining operations, no matter how vast, eventually wind up as a hole in the ground. The gravity of this situation may be appreciated when I tell you that 75% of the nation's pig iron is still being produced from ore than comes down the lakes.

This has brought about a worldwide search for new ore deposits to keep our great industry operating in the years ahead. Important discoveries have been made and development work is going forward in a number of localities at enormous expense.

Republic, as the principal interest in the Liberia Mining Co., has developed and put into production a very fine ore deposit in this small country on the west coast of Africa. We have built the first railroad this little republic has ever had, to move the ore 43 miles from the mine to the port of Monrovia. Dock and harbor facilities have also been built. The operation is now functioning successfully. For more than a year Liberian ore has been brought to our furnaces. With this behind us the Liberian government, following the example of certain other small states, has demanded a greater share in the profits rather than the agreed upon royalty per ton.

Another large ore discovery has been made in Labrador to the east of Hudson Bay. Republic has approximately a one-fifth interest in this development. A 365-mile railroad is now under construction which will bring the ore out to the Gulf of St. Lawrence. The rail-head on the gulf will be almost exactly as far from Ashtabula, Ohio as in Duluth.

This deposit is very large—some 400 million tons have already been proven—but until the St. Lawrence sea-way is built it will not be of maximum value to the bulk of the steel industry, based in the Great Lakes. I realize that the sea-way is not a universally popular subject but as a matter of national security it must be built, on a self-sustaining basis. The sea-borne ores from South America and Africa will be highly vulnerable to submarine attack in the event of war.

There has been a lot of work done also to exploit the low-grade ores which lie within the borders of the United States. In partnership with Armco, Republic has begun the commercial production of taconite in the upper Lake Superior region. Taconite is extremely hard rock containing only 25 to 28% iron. While the existence of these huge deposits has been known for many years, it was long considered commercially impossible to extract the iron.

New methods of drilling this extremely hard material through the use of oxygen have been devised. These permit blasting at reasonable cost. We now have a 300 thousand ton annual capacity plant in operation which is showing promising results. The processing involves crushing the taconite rock to talcum powder fineness, separating the iron magnetically and putting the resulting product back into manageable form. This consists of binding and baking the iron powder into pellets about the size of a walnut, which will stand handling and shipping and provide an ideal blast furnace charge analyzing as high as 62% iron.

Our venture involves building two towns, complete in every detail in what was until recently wilderness. They will be linked by a 47-mile railroad to move the rock from the mine to the lake front, where the first unit of a processing plant is being built. When we reach our goal of 10 million tons of pellets annually, we will be moving 30 million tons of rock over our railroad and will have 20 million tons of waste material to dispose of. Quite a project, the first units of which will cost more than $160 million.

Programs of this kind, once begun, must be carried through to completion. They cannot be pigeon-holed when the going gets tough. They frequently involve years of heavy investment before any return is possible. That is why it is imperative that the steel companies must earn a fair profit, not only now but in the years to come. These and other tremendous expansions are being financed by the industry itself partly from current profits. We have neither asked for nor received government aid.

Where Will the Capital Come From?

All of the capital of course, cannot come from profits, even though they are retained in the business to a degree that gives the stockholders a pretty thin break. Profits provide less than half the money. Most steel companies have borrowed heavily to carry on their programs. Republic at the present time has more than $170 million outstanding debt, most of which was used for expansion. Some companies have issued additional stock, but the market is not favorable for this type of financing. Republic common stock, for example, has a conservative book value of $68 per share, yet the stock is selling at two-thirds of this figure on the market today. Other major steel companies are in the same boat. Why does the investing public have such low regard for the earnings outlook in the steel industry? A little arithmetic on the recent wage settlement will provide part of the answer.

As you steel-buyers know, we were permitted at the end of July to increase carbon steel prices $5.20 per ton. $3.54 of this represented earlier cost increases to which the industry was entitled under the Capehart amendment. The remaining $1.66 per ton, the only true price increase we got, fell far short of what we needed. Yet even this inadequate increase aroused such indignation that the price controller resigned in protest. The true purpose of this gentleman and many of his co-workers never was price-control, of course, but profit control.

The record wage increase granted by the Wage Board amounts in Republic to more than $5.00 direct labor cost per ton of shipments. Beyond this, based on past experience, we can expect other costs, including materials and services purchased, to rise to an extent which will mean an additional $9.01 per ton. Ore has already gone up 75 cents and coal 45 cents, for example. In addition there has been a 10 cent per ton freight increase in ore.

We are striving mightily to secure economies and productivity to offset these rises in costs and have had a considerable degree of success. But on some products and some finishes we eventually will be forced to get some relief or eventually to discontinue some products which would be unwise on the basis of the national economy. Our industry has a long history of pricing our products to encourage their use and I know of no major producer who has attempted any different course even though the opportunities for doing so have been frequent and desirable.

I am well aware that during the past 20 years, profit has become a dirty word. However, unless Republic and all other major steel producers are able to earn an adequate profit in the years ahead, and earn it consistently, our financial problems can become insupportable.

True, we have been granted certificates of necessity granting five-year amortization on a major part of our expansion. In the theory we can write most of it off in five years and enjoy temporary tax relief while doing so, but the whole scheme is meaningless unless we have profits to write it off against. It has been interesting to see how the idea has been deliberately fostered in the public mind by certain columnists that this five-year amortization is a means by which the government subsidizes industry expansion at the taxpayers' expense. Nowhere have I seen any popular writer explain that the government will ultimately collect approximately the same in taxes whether a project is depreciated over five years, 20 years or 50 years.

*From an address by Mr. White before the Purchasing Agents Association of Cleveland, Cleveland, O., Jan. 15, 1953.

Mtge. and Consumer Debts Not Burdensome

Dr. Jules I. Bogen, Professor of Finance at N. Y. University, says, despite spectacular increase in consumer borrowing, there has been no change in relation of debt to disposable national income since 1909.

Speaking before the Eighth Annual Mortgage Banking Conference of New York University, sponsored by the Mortgage Bankers Association of America, Dr. Jules I. Bogen, Professor of Finance at New York University, contended that home mortgage and consumer debts today, despite the spectacular increases of the past seven years, have about the same relation to disposable national income that they had in 1939.

Dr. Jules I. Bogen

In 1939, Dr. Bogen stated, the $24 billion of home and consumer debt outstanding was equal to a third of the disposable national income of $70 billion.

Today, the $81 billion of home and consumer debt outstanding was only a third of national income, which was at a rate of $242 billion for the final quarter of 1952.

"When," added Dr. Bogen, "we consider that the interest rate on home and consumer debt has been reduced, amortization has been spread over a longer period, liquid asset holdings of individuals have expanded fourfold and a part of the debt service on mortgages has replaced rent, the economic burden of home and consumer debt is materially less than it was in 1939.

"In fact, it is probable that home mortgage and consumer debt could increase by another 25% or so before it would constitute so disproportionate an economic burden that its quality would be unduly weakened. From the lenders' viewpoint, the home mortgage and consumer debt structure today appears sound and need not give cause for concern."

From the viewpoint of the economy as a whole, Dr. Bogen contended the yearly increase of almost $8 billion in home and consumer debt since the end of World War II has provided stimulus which cannot be counted upon to continue. But as the total of outstanding debt increases, more and more new loans must be made merely to offset repayments of old debts. Hence, the economy becomes less dependent upon net increases in borrowing by consumers and more upon loans that merely replace amortization receipts, leaving the amount outstanding little changed.

Chicago Analysts to Hear

CHICAGO, Ill. — W. A. Roberts President of Allis-Chalmers Manufacturing Company, will address the luncheon meeting of the Investment Analysts Society of Chicago on Friday, February 6, at 12:15 p.m. in the Georgian Room at Carson Pirie Scott & Co.

The subject of the February 26 meeting will be Eastman Kodak; March 12, Burroughs Adding Machine; and March 26, Dow Chemical.

Basic Changes in Our Economy

By R. E. WOOD*

Chairman of Board, Sears, Roebuck and Company

Mr. Wood lists most important changes in our economy as: (1) increase in birth rate, and (2) decentralization of manufacturing, banking and insurance, leading to redistribution of population. Sees problems involved in these changes and a challenge to bankers. Looks for political and economic power to pass from Atlantic Seaboard to South, Middle West and Pacific Coast.

There are, of course, any number of basic changes in our economy. To recite them all would take too much of your time and mine, so I am going to confine myself to two or three which I deem the most important and having the greatest influence on our economy, our capitalistic system, and on the lives of our people.

Gen. R. E. Wood

The first great influence is the increase in our birth rate and the resultant increased growth of population. In 1935, the number of births in the United States was 2,144,000, and the number of deaths 1,392,000; in 1952, the number of births was approximately 4,000,000, the number of deaths about 1,350,000.

It is only in recent years that businessmen have taken any interest in population growth and vital statistics, but there is no other single factor that more profoundly affects our economy.

During the decade of the 30's, our natural increase was about 700,000 per year. On the basis of the declining birth rate, the population experts of the United States predicted a stationary population by 1960 of somewhere between 150 and 160 million people.

By 1941, the birth rate rose, and the natural annual increase increased from 700,000 per annum, to 1,900,000 per annum during the decade of the 40's resulting in the census figure of 150,697,000 on April 1, 1950. Since that date, the birth rate has continued high, the death rate low, and the annual increase in the last three years (including net immigration) has averaged 2,500,000 per year. If continued, this would result in a population of 175,000,000 by 1960.

It is not difficult to visualize the effect on our economy of an increase of 25,000,000 people, with the highest standard of living in the world. It means the factories of the United States have a continuously increasing outlet for their goods, that there is no overproduction, but that capacity will have to be increased. It means that within 10 years, the old problem of farm surpluses will disappear, with the possible exception of wheat and tobacco. It means a great extension of all public facilities, highways, telephones, transportation, schools, churches. It means a demand for enormous amounts of capital. You bankers can revert to the role you played for 160 years, prior to 1930, of building up a great new country.

It means a dynamic, young economy with a great youthful population, imbued with the spirit of youth. In 1950, we had 29,565,000 children under 10 years of age, as compared to 21,227,000 in 1940. How completely wrong were the early prophets of the New Deal who in the early 30's predicted this was a finished and a static country, with no more frontiers, no more opportunities for youth.

However, there is another side of the picture. No observer who has visited India, China, and other parts of Asia, could fail to see that the poverty, ignorance, and misery in Asia stem from overpopulation and an excessive birth rate. If we increase our population by 30% in the next 20 years, we must increase our productivity and our natural resources by the same or greater amount, or our standard of living will go down, not up. Whether we can do this or not depends on two things—whether we can discover new natural deposits and further develop other natural resources we now have, and whether our technicians and scientists can continue to develop our manufacturing and other types of productivity. Otherwise, we cannot support the increased population on our present standard of living. Since 1939 we have made amazing advances. In spite of the large increase in population, we have also increased the per capita income up to the present. We now have the problem of continuing to increase it to keep up with the expanding population.

The real test of our economy will come when our population passes 200,000,000. If the present birth rate is retained, that figure will be reached between 1970 and 1980. In any case, I cannot see that this country needs any further immigration, except a very limited number. Congress, in its last session, passed a good immigration law — the McCarran-Walter Law. Now a determined effort is being made to amend this law and weaken it in the present session of Congress. Behind this attempt are the Communists, the so-called liberals and certain racial groups. If we are to safeguard the interest of our children and grandchildren, as patriotic Americans, we must preserve this law and defeat its enemies; and I hope every man here present will help to sustain the law.

Decentralization of Manufacturing

The second great basic cause influencing our economy, and also the economy of Western Europe, is the decentralization of manufacturing.

The 19th Century produced what may be called a colonial economy. Food and raw material from all over the world flowed to the workshops of the world. These raw materials were processed and re-exported.

The original workshop was Britain, later supplemented by Germany, Italy, Holland, Belgium, and the Scandinavian countries, later by Japan. This system resulted in an enormous growth of population in Western Europe during the 19th Century, a population that was dependent on outside sources for a portion of their food supply. With the exception of France, there is no country in Western Europe that produces all of the food it consumes. Britain imported in 1950, 61% of the food it consumed—that meant the food supplies for 30,000,000 people.

After World War 1, this system began to break down. The rapid spread of manufacturing knowledge, the development of automatic tools, the growth of nationalistic sentiment, caused every country in the world to try to develop its own manufacturing for the basic needs of its people, the processing of food, the textile manufacturing to supply cloth, the garment trades to supply clothing, cement and brick plants and sawmills to process the raw materials used for building construction.

The same original pattern was followed in our own country in the first half of the 19th Century. The raw materials from all over our country flowed to New England, our original workshop, then to New York, Pennsylvania, New Jersey. After the Civil War, a great manufacturing industry began to develop in the North Central States, later followed after World War I in the Southeastern States, later after World War II in Texas and the Pacific Coast States. Today the growth of manufacturing in the United States is far faster in the newer sections of the country than in the territory east of the Alleghenies and north of the Potomac.

But this decentralization is not confined to manufacturing. It has spread to insurance, to banking. Broadly speaking, today there are enough pools of capital in the various regions to finance any ordinary needs for capital within that region. There is beginning to be a decentralization of deposits—the practice of large corporations to put their deposits in banks in the localities where their plants are situated and business is being done. All of these developments will tend to undermine the position of banks in New York. However, with the accumulated wealth of New York and its immense local market, New York can probably hold its position.

Today, in this country, factories and manufacturing are moving to the food and the raw materials—and the congested districts of New England and the Middle Atlantic States will lag behind States like California and Texas, which have the land area and far greater natural resources.

In 1951, the purchases of Sears from manufacturers were approximately four times what they had been in 1940, the last full year prior to the war. But the distribution by States was very unequal. In that period, we increased our purchases in the New England States 2½ times, in the Middle Atlantic States 3 times, in the Southeastern States 5½ times, in Texas 10½ times, in California 6 times, in the Pacific Coast States 6 times.

I believe this to be a healthy development for the United States. The three States of Massachusetts, Rhode Island, and Connecticut have an area of 14,480 square miles—approximately; their population is 7,499,000, or approximately 500 per square mile. In a country as large as this, what sense is there in having such a congestion of population in such a small area?

It is not only the growth of population but the distribution of population that affects our economy. There have been great changes in this distribution. While our people have always been a migrating people, there has been nothing comparable to the mass migration that occurred in the movement to California in the period 1930 to 1950. That single State increased its population by 5,000,000 in 20 years. Of this, 1,000,000 represented a natural increase (increase of births over deaths), the balance of 4,000,000 represented interstate migration. Texas was the second State in absolute increase between 1940 and 1950, exceeding New York. This increase in Texas was nearly all natural increase.

This continuing and rapid growth of the United States presents a problem and a challenge to the bankers of the United States. With the credit resources of the United States in their hands, they must on the one hand aid this building up of our country; on the other hand, not use these resources in financing speculation. Our biggest problem and question mark is the matter of instalment credit. I believe in the ability and judgment of our bankers to reach a new solution.

The management of our credit and of our money supply will require the wisest of management. There must be sufficient expansion of the money supply for the expanding population and their increased living standards. On the other hand, we want no further inflation; and we certainly need to take the necessary steps to balance our budget and to begin the task of reducing our debt, probably small reductions at first. If our money management is wise and well balanced, I believe we can continue to advance our standard of lving over the next ten years. I am happy to see our Treasury Department in strong hands.

Now I have probably bored you by the many figures I have given you, but if you can put your imagination to work on the figures, you can get a picture of what has occurred in the United States and will probably occur in the next 25 years.

I believe certain conclusions may be fairly drawn assuming the birth rate remains near the present figure:

(1) The growth of population should continue at or near its present rate until 1960.

(2) The growth of population will be greatest in the States bordering the Gulf Coast and the Pacific Coast.

(3) The decentralization of industry will continue.

(4) California and Texas will again show in this decade the greatest growth in population and wealth. By 1960 California will be close to New York, and Texas will probably pass Illinois, Ohio, and end close to Pennsylvania.

(5) Eventually California and Texas will both pass New York State in population and wealth.

(6) Political and economic power will pass from the Atlantic Seaboard to the South, the Middle West, and the Pacific Coast.

*An address by Mr. Wood before the National Credit Conference of the American Bankers Association, Chicago, Ill., January 26, 1953.

Garrett & Co. Expands Investment Business

Edmond L. Brown

DALLAS, Texas — Garrett and Company have taken new enlarged quarters on the ground floor of the Fidelity Union Life Building, and will have an expanded operation specializing in oil and gas issues and southwestern securities.

Edmond L. Brown has recently joined the firm as Vice-President in charge of corporate securities.

R. F. Griggs Adds

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn. — William J. Klobedanz, Jr. is with the R. F. Griggs Company, 35 Leavenworth Street.

Continued from page 2

The Security I Like Best

thing somewhere. Up to now, the surface has hardly been scratched.

Obviously this stock is not for widows or orphans or for anyone else who can't afford to take a chance. It is very highly speculative. It might eventually be worth quite a lot more than it is selling for now. Or it might be worth a lot less. It all depends on what's in the ground. In the past, however, the management of the affiliated Pancoastal Oil Co. has taken "long-shot" chances on vast blocks of wildcat land which have paid off handsomely. For instance, they went into western Canada some years ago and leased several millions acres and really "cashed in" up there. This Canadian acreage is now held by Canada Southern Oils, which was an earlier "spin-off" from Pancoastal.

But look at the possibilities of Coastal Caribbean from a strictly speculative standpoint. It seems that it would take only one good discovery in Florida to touch off a rather explosive interest in the stock. Just one. If the company could bring in only one good well, sentiment of a strictly speculative nature could be electrified due to the huge amount of territory held. That thought is rather intriguing, isn't it? The speculator who buys Coastal Caribbean should have his answer within the next two to four years. There are certain drilling obligations which will cause a number of very vital wells to be spudded in over these next few years. Then we will know whether or not Florida has several good oilfields. Hopes will rise and fall, and then fall and rise again many times. This isn't a stock you can buy and forget about. You will have to follow the "Florida Oil Story" month by month as it unfolds.

At least one "big name" investment trust thinks it worthwhile to take a chance. None other than "conservative" State Street Investment of Boston bought 110,200 shares of the old Pancoastal Oil, which will give State Street 88,160 shares of the new Coastal Caribbean as one of the items in exchange for the split-up Pancoastal.

And here is another bonus possibility. The company's leases entitle it to all minerals found, in addition to oil and gas. Fortunately, Florida has many other minerals such as phosphate, potash, sulphur and uranium.

Coastal Caribbean will be one of the main beneficiaries in the nation when the 1953 Congress passes a law to restore the offshore "tidelands" to the control of the various coastal states. President Eisenhower strongly indicates that he will sign this "states rights" measure. It is estimated by official state of Florida sources that about half of its huge leases to Coastal are free from Federal government claim in the tidelands dispute. However, about half of Coastal's holdings, or about 2,500,000 water-covered acres, are in the tidelands territory which extends 10 miles offshore into the Gulf of Mexico. Settlement of the tidelands battle in favor of the states should boom drilling activity all around the Gulf, including, of course, the state of Florida too.

SCHUYLER VAN VECHTEN

Vice-President & Director, Lee Higginson Corporation, New York City

River Brand Rice Mills

Among the many unusual investment values that are presented today to the prospective purchaser of common stocks, the one that stands out in my mind is River Brand Rice Mills. This equity, which presently is priced at 15¾, sells around 6.0 times last fiscal year's earnings of $2.64 per share ($2.78 per share before an appropriation for a General Contingency Reserve). It affords a return of 7.1% on the well-protected $1.12 annual dividend, based on the regular $0.28 quarterly payment; and taking into consideration last year's extra dividend of $0.10 a share, the yield is 7.7%. There is offered, thus, the rare opportunity of a liberal income as well as strong defensive qualities. River Brand Rice Mills, Inc., occupies a dominant position in a basic segment of the food industry, as one of the leading domestic producers of milled rice and the largest distributor of packaged rice for household consumption. Its nationally advertised brands, "Carolina" and "River," enjoy wide consumer popularity and recognition for premium quality.

Schuyler Van Vechten

Comparatively little is known by the public about the rice industry in general. Although rice has been produced commercially in this country since the Colonial period, the industry's greatest growth has taken place in recent years, stimulated by increased domestic consumption and by a very large export demand in the period since the beginning of World War II. The 1952-53 U. S. crop—estimated at 48 million 100-pound bags—is the highest on record. It is some 10% above last year's crop and almost 50% above the 1941-50 average.

Rice has been one of the world's foods in greatest shortage during the past 10-year period. Prior to 1939 Burma, Siam, and French Indo-China were the principal rice-exporting nations, and world markets were dominated by English and French companies. Since the beginning of World War II, however, Oriental production, and particularly exportation, has been disrupted, and the United States, Egypt, Brazil, and Mexico have become the major elements in the world market. A return to substantial exportation from the Orient is not a foreseeable near-term possibility, since agriculture there has been disrupted by war, rice demand has risen as a result of population increases, and large areas of production are under Communist control. Even if Oriental supplies should become available in the long-term future, it is not believed that the United States would lose a major part of its present South American, West Indian, or Cuban markets, since it enjoys the competitive advantages of higher quality of product, more reliable deliveries, and with the latter country, preferential tariff rates.

Currently, the world rice supply is in such acute shortage that a UN conference of 70 nations opened Jan. 5 in an attempt to stimulate world production. Partly as a result of this meeting, the U. S. Department of Agriculture recently announced that there will be no marketing quotas or acreage allotments on the 1953 crop. At present about 50% of the U. S. crop is being exported.

River Brand Rice Mills was formed in 1946 to consolidate Southern Rice Sales Company, the industry's leading packager and distributor, with three established rice milling concerns, located at Houston, Texas; Eunice, Louisiana; and Memphis, Tennesesee. Also acquired at this time were an elevator and storage company. Subsequent integrated additions have added milling facilities at Jonesboro, Arkansas; and El Campo, Texas; and drying and storage facilities at Houston, El Campo, and Memphis. Southern Rice Sales Company, the oldest of the constituent companies, was incorporated in 1922, the outgrowth of a business started in 1911 by Mr. Julius Ross, the present president of River Brand Rice Mills.

The company obtains its supplies of rough rice from growers in Texas, Arkansas, and Louisiana, an area which accounts for 75% to 80% of the total U. S. rice crop and practically all of the long and medium grade varieties. The company's strategic location of mills in these three major producing states enables it to obtain supplies economically and at a competitive advantage. The policy of River Brand's management is to work for a fairly constant milling and packaging spread, rather than to seek inventory price appreciation as many concerns in the industry have done through purchasing and selling policies based on commodity price speculation. Available supplies of rice are determined at the beginning of each crop year, and buying is very carefully gauged to meet anticipated requirements for the year. There has never been a major rice crop failure in the United States.

Sale of its packaged brands in domestic markets is the company's most profitable operation and its primary interest. The dominant position that River Brand holds in this field is the result of the emphasis placed on the development of the "River" and "Carolina" brand names. Under the "River" name, the company packages both a medium-grain white rice and a long-grain natural brown rice. The latter variety offers the highest content of the natural vitamins and nutrients for which rice is noted. Under the "Carolina" name is packaged a long-grain white variety, which enjoys widespread recognition as the finest quality rice obtainable.

Domestic distribution is carried out on a national scale; primary emphasis, however, has been on northern and eastern markets, where, while per capita consumption of rice is relatively low, there is a marked density of population, and consumer preferences are strong for packaged uniform quality foods. These markets are considered more favorable to the company's growing packaged rice business than such areas as the southern states, where rice is sold in bulk and under highly competitive conditions to consumers who are already substantial rice eaters. A skillful advertising campaign, aimed to build up consumer preference for River Brand's packaged products in the New York area, has been highly successful in the last several years and recently has been expanded to a national scope.

River Brand's management points to the key role that advertising plays in the company's growth, since with the present small per capita rice consumption in the United States, an increase of a few pounds would have a material effect on domestic demand. Continued increase in the number of self-service markets throughout the nation should be a favorable factor for the future, as these markets handle only packaged foods. River Brand's well-entrenched position with the nation's major retail chains is attributable to its reputation for consistently high quality and for being a dependable supplier regardless of price or supply conditions in the rice industry.

River Brand's export sales, which accounted for about 23% of total sales in the 1952 fiscal year, are made primarily in bulk, through exclusive agents and commission houses to Cuba, Latin America, and the West Indies. Cuba is normally the largest importer of U. S. rice, and in recent years River Brand consistently has been either first or second in volume of sales to that market.

Space does not permit a detailed review of the company's sales and earnings records, but figures for a few years will indicate the growth that has occurred. In 1937 combined net sales for the predecessors of the company totaled $4,019,823; in 1942 the figure was $10,240,393. In 1947 River Brand's net sales were $16,486,985; and in 1952, $26,013,012. Net income for 1937 was $66,658; for 1942, $286,443; for 1947, $711,267; and for 1952, $843,864. Moreover, the upward trend has been at a generally even rate, reflecting the essential stability of the industry and the unusually able management of the company.

The financial condition of the company is excellent. On July 31, 1952, the end of the fiscal year, Current Assets were $4,278,919; Current Liabilities, $1,628,378; Net Working Capital, $2,650,541; Earned Surplus, $1,741,141; and Total Shareholders' Equity, $2,859,376. As has been stated above, the company's 1952 fiscal earnings of $2.64 per share very ample covered the regular dividend of $1.12 and the extra $0.10 a share.

There are many reasons, thus, for believing that River Brand is a good bet for the near and long-term future. The company's leading position in its industry, its emphasis on promoting its packaged products through skillful advertising and merchandising, the steadily increasing population of the United States which augurs well for the food industry in general, the anticipated continuation of the severe world rice shortage despite the fact that the '53-'54 U. S. crop may well be the largest in history, and the probability that the United States will maintain its current importance in world supply, all lead to this conclusion. Here is a stock which offers the investor the opportunity to obtain, at a very reasonable price, an unusual combination of high yield, stability, and potential capital appreciation.

From Washington Ahead of the News

By CARLISLE BARGERON

If you were on one of those youthful quiz programs entitled "Youth Wants to Know" and were asked the question of what is the most important industry in this country, you most likely would come up with "steel." America is built upon steel, we are being frequently told. But you would be wrong if you didn't reckon among the most important industries, that of getting a passage in the Presidential messages to Congress. The importance of this industry, while I wouldn't pretend to say it is as large as steel, nevertheless rates high in the manner in which our citizens make a living. When you consider the number of people engaged, the number of household servants they in turn employ, the number of mink coats which their wives buy, which, of course, bears upon international trade and foreign relations; the amount they spend at the butchers and grocers which manifestly has to do with the farmers, and admittedly the prosperity of the farmers is the prosperity of us all, then you can appreciate the tremendous effect upon the whole common weal of those whose business it is to get a paragraph or so into the Presidential message. Such a message necessarily can't be the thinking of one man. It is a conglomeration of contributions. To have been a contributor to a Presidential message is an accomplishment worthy of listing by "Who's Who" as if you had contributed to the literature, art or health of your fellow men.

Carlisle Bargeron

In the 2½ hours before President Eisenhower's delivery of his State of the Union message to Congress on Monday, I was called anxiously by three stock brokers about rumors in Wall Street that the new President was going to take a stand against repeal of the Excess Profits Tax which expires, unless renewed, June 30, and on the other hand, he was going to propose such drastic reductions in governmental expenditures that inflation would be immediately arrested, we would have deflation, and in both instances the market would drop.

Well sir, you can take it that the man who wrote the passages dealing with these delicate subjects is a $100,000-a-year man except that he doesn't get anything like that. You can imagine, too, the number of men who tried to get in their word on these passages and who will most certainly seek to give the impression to their employers or clients that they did have an influence in these passages and you get an understanding of the industry, or livelihoods revolving around such passages. Statements about the Taft-Hartley Act, removal of controls and the like are in the same category.

You can bet your boots, too, that the lobbyists of the powerful school teachers' lobby celebrated on Monday night, drank wine with their wives, told them jubilantly of their success in getting favorable recognition. Dejected were those who had tried to get the President to sponsor the St. Lawrence waterway project in his message and who had planted the story with radio commentators that he would.

In all of this weird industry of getting stuff into a Presidential message, though, the fellow who arouses my admiration and who undoubtedly will be honored at the next dinner of those engaged in the business, is the one who got in the plug about the Pure Food and Drug Administration. I know nothing about the merits of the matter. But the Presidential message had a passage about how the Pure Food and Drug Administration should be able to continue its program of factory inspections. The Supreme Court had in December, 1952, the President said, invalidated this program because the law authorizing them contained inconsistent and unclear provisions. This should be remedied, the President said firmly. It was one of his more positive statements, in fact.

The New Administration Can Restore Gold Standard

By FREDERICK G. SHULL

Chairman, Connecticut Gold Standard League

Gold Standard advocate, in combatting proposals for devaluation of the dollar, cites historic evils resulting from this action, and urges support of Reed Bill, which would again restore the full gold standard to U. S. currency.

Recent articles in the "financial" and other sections of the daily press give considerable prominence to the subject of sound money, and to its opposite. While largely from domestic sources, some of the articles happen to originate from overseas. With many foreign countries in straitened circumstances, economically, it is easily understandable that they are anxious to bolster their own financial resources in any way they can, regardless of how it might affect the welfare of the United States—their greatest benefactor; but it is difficult to understand how anyone having the good fortune to be a United States citizen can give support to the fantastic idea that the American dollar should be further "devaluated"—something that would result, automatically, if the official price of gold were to be raised in terms of dollars.

Frederick G. Shull

As to the domestic angle, there are some who claim that the official price of gold should be raised to \$52.50 a fine ounce—which is merely another way of saying that the dollar should be reduced in "value" by 33⅓ per cent. Can those advocates of further tampering with our currency be unaware that the 160 million people of this nation are the owners of accumulated savings payable in dollars, regardless of the "value" of the dollar itself, aggregating upward of \$500 billion, and that a 33⅓ per cent "devaluation" of the dollar would rob our citizens of more than \$160 billion of the real value of those accumulated savings? From the above figures it is easily seen that raising the official price of gold to \$52.50 an ounce would result in an average loss of \$1,000 for every man, woman and child throughout this nation.

Certain writers from overseas appear to feel that we owe it to Britain to reduce the gold content of our dollar, in order to improve the position of the pound sterling. But there is nothing in the history of monetary policy to substantiate the claim that "devaluating" a nation's currency has any basis of honesty, whatever—in fact, all experience bears out the opposite. Let's examine a few cases to see just what results may reasonably be expected to accrue from tampering with the "value" of a nation's currency:

Adam Smith's View

Nearly 200 years ago the world's greatest economist, Adam Smith, in his "Wealth of Nations," expressed the following view:

"The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment."

In 1933-34, our political leaders ignored this sound opinion so well expressed by Adam Smith—for they "raised the denomination of our coin"; they took what had been a twenty-dollar gold piece for nearly a full century, and declared it to be a thrity-five-dollar gold piece, approximately; and in that dishonest act they "disguised a real public bankruptcy under the appearance of a pretended payment." Are we going to again listen to selfish interests urging a repetition of that dishonesty—the "raising of the denomination" of our coin by 50 per cent, with resultant "devaluation" of our currency by 33⅓ per cent? It is strongly to be hoped that we are not!

Again, no one questions that the study of what constitutes sound money by Andrew D. White, in his monetary masterpiece "Fiat Money Inflation in France," is an authoritative statement of what happens when nations resort to tampering with their currencies. Dr. White shows that, during the period 1789 to 1797, France tried to bolster her economic welfare by resorting to "irredeemable" paper money; and that it so ruined her finances that that paper money became practically worthless and was thrown out by the people as possessing no value whatever. As a result of his study Dr. White reached this significant conclusion:

"Every other attempt of the kind in human history, under whatever circumstances, has reached similar results in kind if not in degree. All of them show the extistence of financial laws as real in their operation as those which hold the planets in their courses."

In line with Dr. White's theory that currencies cannot be tampered with at the whim of political leaders, it may be well to remind ourselves how consistently, from 1789 until 1933, this nation has observed the "financial laws" which he so wisely envisioned: In 1792, under the able leadership of Alexander Hamilton, we did not print a lot of paper money and leave it to the marketplace to determine its "value"—we set-the-value of the American dollar at 24.75 grains of fine gold (based, at the time, on a standard of 371.25 grains of pure silver per dollar, with 15 ounces of silver being equivalent to one ounce of gold). And that "value" of the dollar was never changed until the 1834-37 era, when it was just slightly reduced to 23.22 grains (25.8 grains of gold, 0.9 fine), a "devaluation" of the dollar of approximately 6 per cent. From that time forward the "value" of the dollar was firmly held at \$20.67 an ounce of fine gold (meaning 23.22 grains per dollar) until the New Deal took over in 1933. It all gives point to the statement by Dr. White that there are "financial laws as real in their operation as those which hold the planets in their courses."

View of "Macmillan Committee"

And all of this present agitation about raising the official price of gold cannot be said to reflect the opinion of Britishers of a generation ago. In 1931, the "Macmillan Committee," made up of 14 eminent British financiers and economists, rendered a report which contains the following significant statement:

"There is, perhaps, no more important object in the field of human technique than that of the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at any early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

It will be noted that those British experts didn't say: Let's raise the official price of gold; rather, they indicated that here is a subject that should be carefully studied before any action is taken. And it seems fair to assume that that is just what the new Administration in Washington will want to do, before being rushed into further tampering with our currency at the behest of selfish gold-producing interests—particularly since the Republican party's 1952 platform pledges return to "a dollar on a fully convertible gold basis."

New Administration Can Act

And what can the new Administration do about it? The answer is that, as the leading economic nation of the world, they can first put the American dollar back on a firm foundation such as it has occupied throughout the greater part of our history—they can, and should, firmly fix the "value" of the dollar at \$35 a fine ounce of gold and make it redeemable, on demand, at that fixed value. And next, in their capacity of world leadership, they can encourage other nations to, likewise, fix the "values" of their respective currencies in terms of a definite weight of gold for each currency—thus laying the foundation for a "sound and scientific monetary system," in line with the recommendations of the "Macmillan Committee." With that much accomplished, the world will then have come close to having an "international gold standard"; it will have had the effect of quieting much of the talk about "currency convertibility"; and it will have eliminated all this idle talk about raising the official price of gold.

Finally, Representative Daniel A. Reed (R., N. Y.) Chairman of the House Ways and Means Committee, has pretty well set the stage for prompt action by his Party on this important issue; for, on Jan. 27, he introduced his gold standard bill, identical with one he has introduced each year for the past several years, which would:

"Restore the right of American citizens to freely own gold and gold coins; return control over the public purse to the people; restrain further deterioration of our currency; enable holders of paper money to redeem it in gold coin on demand, and establish and maintain a domestic gold coin standard." (This quote is from the Baltimore "Evening Sun," Jan. 27, 1953.)

It is to be hoped that sufficient public interest will be developed to make sure that the 1953 gold standard bill just introduced by Mr. Reed shall not be allowed to suffer the same fate as its predecessors—that it shall not be allowed to "die on the vine."

Commercial Credit Co. 3½% Notes Offered

Additional capital to finance an increased volume of business is being sought by Commercial Credit Corp. with the public offering yesterday (Feb. 4) of an issue of \$25,000,000 of the company's 3½% junior subordinated notes, due Feb. 1, 1973, by a banking group headed jointly by Kidder, Peabody & Co. and The First Boston Corp. The new notes are priced at 100% and accrued interest and are convertible into the company's common stock for 10 years, at \$42 per share through Jan. 31, 1958, and, in each succeeding 12-month period, at the greater of \$46 per share or the book value per share on the preceding June 30, subject to adjustments. A sinking fund commencing in 1964 provides for the retirement of 5% of any unconverted balance of notes outstanding at the termination of the conversion period, retiring an aggregate of 50% of such balance prior to maturity.

Commercial Credit Corp. is one of the country's three leading instalment financing companies, and is also engaged in fire, theft and credit insurance and in certain diversified manufacturing operations. Volume of the company's instalment, loan and factoring business has increased steadily in the past five years with total outstanding on Dec. 31, 1951, almost double the figure of five years earlier.

Proceeds from the current sale will be used for additional working capital requirements to meet this continued uptrend.

Gross receivables acquired for the nine months ended Sept. 30, 1952, aggregated \$2,083,976,000. Of consolidated net income of \$14,463,000 for the nine-month period, approximately \$8,400,000 was derived from finance operations, \$3,100,000 from insurance business and \$2,900,000 from the company's manufacturing subsidiaries.

Whipple Elected V.-P. Of Union Securities

Oliver M. Whipple has been elected a Vice-President and director of Union Securities Corporation, investment bankers, 65 Broadway, New York City, it has been announced. To accept his new position Mr. Whipple has resigned as financial Vice-President of The Mutual Life Insurance Company of New York with which he was associated since 1928. He is a member of the advisory board of the Rockefeller Center office of Chemical Bank & Trust Company and a director of the Orangeburg, (N. Y.) Manufacturing Company. Mr. Whipple is a graduate of Yale University, Class of '23.

Oliver M. Whipple

Alton Gumbiner With Barret, Fitch, North

KANSAS CITY, Mo.—Alton Gumbiner has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange, to head the firm's expanded trading and analytical department. Mr. Gumbiner was formerly associated with George K. Baum & Company and prior thereto was Kansas City manager for White & Company.

G. I. McKelvey Joins Tucker, Anthony Co.

Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that George I. McKelvey, Jr., has become associated with the firm in charge of the municipal bond department.

Mr. McKelvey was formerly a partner in Eldridge & Co. and also of Darby & Co. since the latter firm's inception in 1930 and until its dissolution.

Our Inadequate Knowledge Of Free Enterprise

By ROSCOE C. INGALLS*

President, Association of Stock Exchange Firms
Partner, Ingalls & Snyder, Members New York Stock Exchange

In calling attention to public's ownership of industry under our economic system, because of large number of security holders, Mr. Ingalls decries lack of its true understanding. Says our inadequate knowledge of free enterprise poses a threat to true "capitalism." Points to efforts of stock exchanges and other organizations in promoting knowledge of investments and lauds the increasing participation in ownership by public through purchases of securities of business enterprises. Holds present taxes are a deterrent to investments, since they stifle incentive. Urges revision of income and capital gains taxes.

We call our economic system "capitalism," and the term is technically correct. The dictionary says capitalism is "the system of modern countries in which the ownership of land and natural wealth, the production, distribution, and exchange of goods, and the operation of the system itself are effected by private enterprise and control under competitive conditions." That is, of course, an accurate description of the way we do business in America, as far as it goes. I sometimes wish, however, that we had a more suitable word than "capitalism." It is not its precise meaning that I find objectionable but its overtones. For too many people the word has connotations of conflict, privilege, and unfairness. In that respect, it is not descriptive of what we have created. It is a stereotype which was born when the early socialist writers proclaimed the inevitable war between their type of society and the evil thing called capitalism. It hearkens back to a day when there was widespread economic injustice and when nobody could possibly foresee the development of the really democratic capitalism we know today.

Roscoe C. Ingalls

Frederick Lewis Allen, editor of "Harper's," says that what we have in America today is a far cry from the classic concept of capitalism and that it actually goes the socialists one better. The socialists argue for public—that is, government — ownership of the means of production. Mr. Allen and a number of other thoughtful observers point out that we have accomplished public ownership of industry in America by selling shares in our great corporations to millions of people across the nation. And in doing so we have retained the desirable aspects of private ownership and avoided the undersirable features of government control. In this way, Mr. Allen declares, "the United States is not evolving toward socialism but past socialism."

This is a fascinating story and one that is too little understood by any of us. We have been, I believe, ringside spectators at a remarkable evolutionary development in the decades since World War I, and we have been so preoccupied with immediate requirements that we have lost sight of the mainstream of our economic progress. We must, I believe, educate ourselves—whoever we are—as to the nature and the significance of this unique and wonderful machine we have set up. All of us — students, wage earners, farmers, business leaders, and certainly securities dealers—need a broader, better understanding of this system we live under so that we can do our part in making it work and improving it.

An Enormous Job of Education

We have already, I am glad to say, made a good start on the enormous job of education we have to do—but only a good start. Businessmen and industrialists have become acutely aware of America's need for a broader understanding of its own economic machinery, and they have taken a number of steps to meet that need. I have time this evening to tell you of only a few of them. I am, of course, most familiar with the program of our Association of Stock Exchange Firms, under whose auspices I am speaking to you. We employ films produced by the New York Stock Exchange and by various companies. They carry the story of America's way of doing business to all kinds of groups — women's clubs, men's service organizations, labor unions, church societies, and schools and colleges. To supplement the films, we provide speakers and literature.

In a number of cities across the country, special events have been arranged to accomplish our purpose. Los Angeles, Philadelphia, and Detroit have for several years held "Invest in America Weeks." During these periods, all forms of mass communication are used to tell about America's unique system under which everybody can express confidence in our national productive machinery by becoming a part owner of it. You here in Baltimore have an effective adult education program in your schools and through your civic organizations. Through it the people of your community have an opportunity to learn what American capitalism means to them and how they and their families can share in its growth. Other communities have used other techniques. It may surprise you to learn that in some places securities dealers have placed exhibits in county fairs. Here the crowds who throng the midways can learn about the workings of America's industrial economy just as they learn about new developments in her agriculture. This, I think, is most heartening. It is evidence that we are learning to knock down the barrier that formerly stood between the people and the investment business and to take it to them on their own ground.

We know, too, that we must do a better job of teaching these things to America's youth—that we must not neglect the young people while they are in school and expect them to know what they need to know when they become wage earners and investors themselves. I am encouraged to learn of a number of efforts now being made to introduce more practical, more realistic teaching of economics in our high schools. If these programs succeed—and I see no reason why they shouldn't—all of our youth will leave public schools with a clearer understanding than they now have of the economic system they are about to enter. There are also some very commendable out-of-school opportunities for young people to acquire this understanding. You may be familiar with Junior Achievement, that fascinating national movement in which high school students set up their own corporation, issue stock, sell goods or services for profit, and pay dividends. In this way, they get first-hand knowledge of our profit-and-loss system, and they discover for themselves the advantages of free enterprise.

All of this makes an exciting, encouraging picture. But as I say, we have made only a good beginning. We have scarcely scratched the surface. The work must be continued and expanded. It must be done by all of us—educators, business executives, labor leaders, and parents as well as securities dealers—if the American people are to get a sound understanding of the system that has given us a higher living standard and greater national strength than any other system has ever produced. We must understand that system if we are to get the most from it in the way of benefits for all people.

Increased Number of Security Owners

From an increased public understanding of our economic machinery, it is natural to progress to increased popular participation. In discussing this point, I believe we must start from the premise that the broadest possible participation is desirable. In other words, the more Americans who are part owners of the nation's industrial plant, the better. With this, I am sure, there can be no quarrel. We are proving to the world, as I indicated earlier, that we have a way of placing ownership of industry in the hands of the people without turning it over to the state. We are going far toward making the control of business a democratic process just as our control of government is. In support of this, let me cite a few fairly startling facts. A number of America's largest corporations today have more than twice as many owners as they have employees. Records of some of the biggest companies show that no one individual owns as much as one per cent of the stock. The American Telephone and Telegraph Company, which operates much of our vast communications network, is owned by more than a million people. This diffusion of ownership, as I say, has developed in just the last few decades, and it is continuing at a steady pace. There was recently a study of the ownership of 45 major corporations whose stock is listed on the New York Stock Exchange. It showed that between 1930 and 1950 the number of shareholders in those big companies increased by 72%. To quote a prominent comedian with a prominent nose: "Everybody wants to get inta da act." And I believe that is healthy for America.

We know more about these Americans who are getting into the act today than we used to know. As part of our awakening to the fact that something wonderful has been happening on our economic scene, we have studied the people who have been buying shares in America's business. We know that they are everyday, garden-variety Americans, quite unlike the socialists' cartoon version of the paunchy capitalist with the dollar signs on his brocaded vest. We know, from a study prepared for the New York Stock Exchange by the Brookings Institution, that there are about six and a half million shareholders in publicly owned corporations and that they are about evenly divided between men and women. We know that a third of them are from families with less than $5,000 yearly income and that eight out of ten are from families with less than $10,000 annual income. We know that they live all over the United States and that they represent every type of business and profession. We know, too, that many of them are buying stock in the companies which employ them.

This is all to the good. But before we become too pleased with this picture, let us take a look at some other facts. Remembering that there are six and a half million stockholders in publicly owned corporations, let us see how many Americans are engaged in other forms of investing and building security. Fifty-three million Americans having savings accounts, and 43 million own Series E Federal government bonds. One hundred and four million people in this country own 210 million life insurance policies.

Again, I submit, we have only made a good beginning. We shall see the day, I believe, when the number of people who own shares in America's business and industry will be several times six and a half million. I am not suggesting that people liquidate their other investments to buy corporate securities. Nor am I unmindful of the fact that many people are indirect owners of industry through their insurance programs, their pension plans, and the mutual funds. We must have, however, a broadening of direct popular investment in America's business for at least two major reasons; First, it is essential if we are to achieve our democratic ideal of a gigantic productive machine owned by the people and responsible to the people without state control. Second, the savings of the American middle income groups have become one of the principal sources of the new capital needed by industry for growth. In 1952, industry in the United States invested 27½ billion dollars in new plant and equipment. That is $175 for every man, woman, and child in the country. Its capital expenditures this year, according to the economists, will be nearly equal to that huge sum. These are staggering figures, even for these times, yet this is the kind of money that is required to maintain the industrial growth America needs. Much of this money, of course, will come from profits and from borrowing, but a great deal of it must come from hundreds of thousands of ordinary Americans across the country who believe in the future of our economy and want to share in its promise.

Taxes—A Deterrent to Investment

We have seen the importance of educating our people to a better understanding of the unique economic system they are part of. We have discussed the need for broadening direct public participation in the ownership of American business. There are many equally important chapters in this big story of America's economic growth. In closing, I should like to comment briefly on one of them—namely, the role of taxes as a deterrent or a stimulant to the proper functioning of our industrial machine. The subject of taxes, to be sure, is an enormous one—as complex as the atom bomb and as controversial as religion or politics. I am sure, however, that there are certain fundamentals on which everybody will agree. One is that taxes must be adequate to provide the government enough money for essential services and national defense. Another is that taxes must be fair and equitable. A third is that a tax is a bad tax if it stifles initiative, promotes inefficiency, or otherwise endangers our economic health. If we accept these propositions—and I cannot conceive of challenging them—then I believe we must carefully examine our present structure of income and capital gains taxes as they affect investment in American enterprises. I would hope that the officials of our new national Administration will do just that. I would hope also that all of us as conscientious citizens will give more thought to this problem than we have in the past.

These are some of the questions that I think we citizens and our elected representatives should be asking about taxes. Is our 26% capital gains tax rate a stumbling block to the kind of wise investing our economic health requires? Is it unrealistic in view of the rise in dollar value of all types of property in the last few years? Does it produce as much revenue for the government as a lower tax rate would produce by encouraging more investment activity? Is the limited loss provision fair? Is the double taxation of corporate earnings—once as profit and once as dividends — encouraging unwise corporate financing because companies find it better to pay tax-free interest than dividends? Is the high excess profits tax encouraging efficient companies to become inefficient through careless spending of what they consider "cheap dollars"? Are the present income tax rates, both corporate and individual, drying up the sources of money that American industry must have to pay for its needed growth?

The answers to these questions are neither simple nor clear cut, but we must find the answers if this system we believe in is to flourish. I am confident that we shall arrive at sound answers to this problem of taxation, just as I am confident that we shall do the other things we must do to increase the benefits we gain from our free enterprise system. For this is the way we make progress in America. We set as our goal the greatest good for the greatest number, and we proceed toward it without fear of abandoning old ideas or trying new ones. We are not afraid to question the rightness of what we have or to admit

*An address by Mr. Ingalls at a dinner sponsored by a number of business enterprises located in Baltimore, at Baltimore, Md., February 2, 1953.

that we should do more or less of what we have been doing. We take risks, regardless of the odds, when the outcome means strengthening the things we believe in. And we keep before us the ideals of justice and freedom. These things are just as workable in the world of business and industry as they are in politics and government. They are a large part of the reason, I am sure, why we have achieved the kind of capitalism we have in America today—the kind which has gone beyond socialism in its spread of benefit and responsibility. I am confident we can maintain it and strengthen it if we set our minds and our hearts to the job.

Dean Witter & Co. Admits Four Partners

Dean Witter & Co., have announced that Alfred E. Marsella and Charles E. Marsella have been admitted as general partners, and R. Stanley Dollar and William Cavalier, Jr., have been admitted as limited partners. Shirley Houghton has retired as a general partner and has become a limited partner.


Alfred E. Marsella R. Stanley Dollar

Alfred E. Marsella, Sales Manager of the firm's New York office, has been with Dean Witter & Co. since 1931 and has been in the banking and securities business since 1926. A graduate of Fresno State College and the University of California, he was formerly manager of the Fresno office from 1931 to 1947.

Charles E. Marsella, a brother of Alfred Marsella, has been with the Fresno office of Dean Witter & Co. since 1933. He started to work for the firm as a board marker and in 1947 was appointed manager. He was born in Fresno and attended schools there, including Fresno State College, and is a graduate of the University of California.

R. Stanley Dollar, President of The Robert Dollar Co. and Globe Wireless, Ltd., comes from a famous shipping family. He formerly headed the Dollar Steamship Line, which operated 16 large passenger ships, until he and his associates transferred control of the line in 1938 to the Maritime Commission. In 1945, Mr. Dollar began his suit to regain the controlling stock of the steamship line from the Maritime Commission. The case gained nationwide fame and after six years of litigation was recently settled on terms acceptable to the Dollar interests.

William Cavalier, Jr., is a graduate of the University of California, Hastings Law School. He passed his bar examinations in February, 1951. He was with American Trust Company until September, 1951, and is now associated with the law firm of Schoefield & Hanegan in Oakland, California. He is the son of William Cavalier, whose New York Stock Exchange firm consolidated with Dean Witter & Co on Sept. 4, 1940. Mr. Cavalier, Sr., was a limited partner of Dean Witter & Co. until his death in 1945.

Widening Markets for Mutual Funds

By NATHAN BELFER

Department of Economics and Commerce
The Pennsylvania State College

Prof. Belfer maintains, despite rapid growth of mutual funds' shareholders, there still exists a vast untapped market for this group of securities. Says it is necessary to overcome aversion of many investors to equities, but, in indicating increased institutional interest in common stocks, suggests pension and trade union funds as important new markets for investment trust shares.

In 1941 sales of new shares by mutual funds were only $53,000,000, in 1952 they were over $700,000,000. Assets of mutual funds at the end of 1952 were approximately $4 billion, an increase of 800% since 1941. This is a tremendous increase and an obvious cause for rejoicing among the managers and sponsors of mutual funds. However, it should be realized that the potential is still enormous. In 1952 personal net savings of individuals came close to $20 billion. Thus, even though sales of mutual funds were at an all-time high in 1952, they still accounted for only 3½% of the savings done by individuals in the year. It is clear that there still exists a vast untapped market for the sale of mutual fund shares.

Nathan Belfer

The survey of stock ownership in the United States made by the Brookings Institution for the New York Stock Exchange reveals that there are approximately 6,500,000 share owners in the United States. This is only 4.2% of the population. One hundred and forty-four mutual funds have only 1,500,000 shareholders. By startling contrast two-thirds of the population have life insurance, one-third have savings accounts, and one-fourth own Series E bonds. Americans do not appear to be avid purchasers of stocks either directly or indirectly through the medium of mutual funds. A breakdown of share ownership by age and occupation reveals some interesting facts. Less than 1% of individuals under 29 years of age own stock. In the age group 30-39, 4.8% own stock; 40-49, 6.6%; 50-59, 10.8%, and 60 years of age and over 9.1%. Obviously the advantages of share ownership have not been made known to people in the younger age groups. To be sure, they probably have less income and resources than older people. However, they should be an obvious market for the sale of mutual fund shares. An individual who becomes acquainted with the advantages of ownership of mutual fund shares while young may be able to purchase only a moderate number of shares. As his income increases, however, he is in a position to purchase more shares. Thus it may be desirable for mutual funds to make a special appeal to the younger segments of the population who to date have participated to only a very minor extent in share ownership.

Data on the distribution of share owners by occupational groups should also be of interest to mutual funds. Forty-five per cent of administrative executives and 19% of operating supervisory officials are shareholders. These are groups which one would expect to be sophisticated in financial matters because of their positions in the business world. Shareholdings by some other occupational groups are as follows: professional persons, 13%; merchants, 10%; clerical workers, 8%; skilled workers, 4%; public service workers, 3%; semiskilled and unskilled workers, 1%. With the exception of administrative executives, supervisory officials, professional workers and merchants, share holdings do not appear to be a popular form of investment. This in spite of the fact that both blue and white collar workers have enjoyed substantial increases in income and savings in the past decade.

What accounts for this reluctance of the overwhelming majority of the American public to own shares in American corporate enterprise? There are many factors involved, of course, but undoubtedly fear and ignorance are the major deterrants to stock ownership. Interestingly enough those groups who at present have very little representation in the roster of shareholders are precisely the ones who can benefit most from ownership of mutual fund shares. Administrative executives and operating officials are in a position where they can obtain sufficient corporate information to enable them to handle their affairs wisely. Most other occupational groups, however, are unable to obtain information and probably lack the technical capacity to evaluate it properly. Thus a mutual fund with its advantages of careful selection, wise diversification and continuous supervision would appear to be the wisest form of investment for them. An investment trust is the ideal investment medium for the small investor.

Broadening Investment in Equities

It is still necessary, however, to sell these groups on the wisdom of some investment in equities. Memories of 1929 probably still linger on and many individuals undoubtedly believe that an investment in Government bonds or savings accounts is still the safest procedure for them. To overcome these historical and emotional doubts will require an extensive and cautious educational campaign. The fact that holders of cash, savings accounts and Government bonds have suffered a loss in purchasing power of almost 50% may help to modify the deep-rooted fear of investment in equities. The Brookings study also indicated that of those individuals who owned shares, 28% acquired them because of a desire for appreciation in value and 22% bcause of the higher income yields that were obtainable. For the average individual ownership of mutual fund shares is a suitable medium for the attainment of these two objectives.

Fortunately there appears to be an increased interest in investment in equities. The Federal Reserve Board recently made a survey of investment preferences of various income groups. In 1949 only 2% of individuals who earned more than $3,000 stated that common stocks were their preferred investment in 1949; in 1952, 19% preferred common stocks as their investment medium. Of individuals earning more than $7,500, only 7% preferred common stock investment in 1949, in 1952, 19% of the same group preferred equity investment. There thus appears to be an increased interest in common stock investment. Steady depreciation of the dollar through inflation and the increased need for income because of heavier taxes are important contributing factors in this trend. Mutual funds should be able to expand their sales because of this growing awareness of the advantages of equity investment.

One final statistical fact will be of interest. The Federal Reserve Board has made a survey of owners of maturing Government savings bonds. The amount of savings bonds maturing in 1952 and 1953 amounts to $3,081,000,000 and $6,229,000,000, respectively. Thirty-two per cent of those owning savings bonds which will mature in 1952 and 1953 indicated that they had no plans for the use of the money which they would receive from the maturing bonds. With over $9 billion of savings bonds maturing in a two-year period, those individuals who are undecided about the use of the funds they will receive may be an important source for investment in mutual fund shares. The losses sustained by these bondholders through inflation may be an important factor encouraging them to invest in equities.

Pension and Trade Union Funds As Markets

Pension funds, which are accumulating assets at the rate of over $2 billion a year, and trade unions, which have assets of approximately $1 billion, may also be important new sources for investment in mutual funds.

Mutual funds have enjoyed an enormous growth in the past ten years. However, they have only 1,500,000 stockholders and have merely scratched the surface of potential owners of mutual fund shares. Mutual funds with their emphasis on diversification and professional constant supervision are the ideal investment medium for the average individual. This article has attempted to point out a few of the markets which mutual funds can tap. Obviously, there are many more. Mutual funds should continue to grow in assets and number of stockholders. They can serve to channel the investment of many individuals into a diversified group of companies and industries. In the future mutual funds may become a major source for the capital required by an expanding and productive American industry.

Halsey, Stuart Group Offers Pa. RR. Ctfs.

A group headed by Halsey, Stuart & Co., Inc., on Feb. 4 offered $4,800,000 Pennsylvania Railroad Series AA 3% equipment trust certificates, which will mature $320,000 annually March 1, 1954 to March 1, 1968, inclusive. The certificates are priced to yield 2.35% to 3.15%, depending on maturity.

The issue is to be secured by new standard-gauge railroad equipment, consisting of 14-1,200 horsepower diesel-electric switching locomotives, 1,065 box cars, 200 flat cars, and 200 gondola cars, estimated to cost $12,040,000. Issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

Also participating in the offering are: R. W. Pressprich & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Son; Ira Haupt & Co.; Hayden, Miller & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc., and McMaster Hutchinson & Co.

Murphy Co. Admits

On February 11 Vincent E. Sculling will be admitted to partnership in Murphy & Company, 54 Pine Street, New York City members of the New York Stock Exchange.

Talcott, Potter Admits

Talcott, Potter & Co., 41 East 42nd Street, New York City, members of the New York and Midwest Stock Exchanges, on February 16 will admit J. Preston Cullen to limited partnership in the firm.

British Crusade Against High Taxes

By PAUL EINZIG

Commenting on widespread clamor in Britain for tax reductions, Dr. Einzig points out movement is due largely to change in British Government's policy against inflation. Cites opinions of British executives that high taxation is impeding British investment both at home and abroad.

LONDON, Eng. — Few subjects have received more attention in recent months in Britain than the high level of taxation. It is hardly possible nowadays to open a newspaper without coming across some arguments in favor of a drastic reduction of taxes. Economists argue against high taxation in the academic way, while bankers and businessmen put forward an immense variety of practical arguments. In the new year the heavy guns of British industry opened fire in the form of a joint memorandum by the Federation of British Industries and the National Union of Manufacturers against high taxation. Few company chairmen miss a chance to indicate in their annual addresses to shareholders' meetings the way in which their particular industries are handicapped by the prohibitive level at which taxation is being maintained nearly eight years after the termination of hostilities in Europe.

Dr. Paul Einzig

It is not surprising that such an anti-taxation crusade should have developed at last. What is much more surprising is that resistance to high taxation was virtually non-existant until quite recently. It is true there were occassional protests but there was no trace of any nation-wide campaign such as we have been experiencing lately. The docility with which the British taxpayer has been bearing his burden year after year is indeed unprecedented in time of peace. Through his elected representatives he agreed during the early part of the war that the Government should tax him to the bone in the interests of the war effort. But when the war was over taxation continued almost at its wartime level. Indeed in some respects it was actually raised above that level. The standard rate of income tax has only been reduced from 50% to 47½%. And the maximum rate remained at 97½%. Death duties are actually heavier than they were during the war and the possibilities of lawfully evading them through deeds of gifts before death have been drastically curtailed.

Since 1945, high taxation no longer served the purpose of national defense and national survival. For the most part it served the purpose of establishing and maintaining the Welfare State with its National Health Service, National Insurance and other benefits. Those who on balance received more than they paid in taxation naturally considered this to be the right thing. On the other hand those who paid considerably more than they received had an understandable grievance for such a misuse of their wartime patriotism. The hasty establishment of costly social services after the war has created immense vested interests the existence of which would first have to be overcome by any Government wanting to reduce taxation substantially. Even the mildest attempt at curtailing social benefits encountered strong resistance on the part of the millions of beneficiaries and their political representatives. On the other hand until recently the taxpayer bore his crushing burden with such a degree of docility that there was little if any political inducement for any Government to make real effort to reduce the burden at the cost of incurring unpopularity among beneficiaries under the Welfare State.

Why was it then that sometime during 1952—the change was so gradual that it would be impossible to fix a date for it—the patience of taxpayers came to an end? Although their attitude is still essentially law-abiding they are evidently determined to mobilize public opinion and to force the Government by all constitutional means at their disposal to pay more attention to their grievances. Perhaps they realized that so long as all pressure was coming from one side the weight of argument from the point of view of political expediency was all in favor of maintaining high taxation.

The explanation of the change of attitude of taxpayers in 1952 was the change in the Government's monetary policy. So long as inflation continued unabated it was comparatively easy for most employers and employees to pass on the burden of high taxation which was eventually borne by the consumer. Even the majority of the latter had no cause for complaining, because in their capacity of wage-earners, profit earners, etc., they were able to derive compensation for the rise in the cost of living by bringing about yet another turn in the inflationary spiral. Everybody lived in a fool's paradise for years while wages, costs, prices were chasing each other incessantly in an upward direction.

In 1952, Mr. Butler made an attempt to call a halt to this process. Although he did not succeed entirely in checking inflation, many sections of the community were beginning to find it increasingly difficult to pass on to somebody else the burden of their taxation. They have become consequently more responsive to the arguments against high taxation.

Many weighty arguments have in fact been put forward recently in close succession. A leading shipping magnate produced unanswerable facts and figures to prove that under the present level of taxation, shipping companies and shipowners are unable to maintain their fleets, let alone expand them. Those agitating in favor of increased British investment in backward parts of the Commonwealth were informed that there could be no such increase, for the simple reason that high taxation is destroying savings so that no capital is accumulating that would be available for investment either at home or abroad. A leading banker, Mr. A. H. Ensor, Chief General Manager of Lloyds Bank, pointed out recently that owing to high taxation the higher interest rates charged by banks are largely ineffective. Their deterrent effect is reduced by the fact that the greater part of the additional interest charged to prosperous business firms is in fact paid by the Treasury, because it reduces their taxable profits. This means that the inconvenience caused by dear money is not adequately offset by its disinflationary effect. High taxation has thus materially weakened the force of the main weapon in the armory of classical monetary policy.

There are many other more or less convincing arguments. What is amazing is that those who put it forward waited until 1952-53, even though their arguments were equally sound years earlier. However, it is better late than never. Possibly the combined weight of all the arguments may result in the realization of the fact that for the present the Welfare State has progressed further than what our economy can stand without having to bear a crippling burden of taxation. Beyond doubt the ultimate end must be a further development of the Welfare State. For the present, however, it is arguable that a reversal of the trend to some moderate extent is called for by the existing situation. A reduction of taxation in Britain is an imperative necessity. In spite of such reduction it should be possible to maintain social service charges at a reasonably high level and later to increase them even above their present level. This should be done, however, not out of the proceeds of ruinous taxation, but out of an increase of productivity.

History may repeat itself. In past centuries, from the days of the Magna Carta to the days of John Hampden's refusal to pay Ship Money to Charles I, it was the English people's resistance to oppressive taxation that put a limit to the despotism of kings. Quite possibly the modern despotism of a democracy that threatens to degenerate into a system of demagogy and forces the Government to live beyond the nation's means may also be checked by the revival of the old spirit of resistance among the long-suffering taxpayers.

Standard Sulphur Co. Common Stk. Offered

Gearhart & Otis, Inc., and F. L. Rossman & Co. are offering "as a speculation" 1,250,000 shares of common stock (par 10 cents) at $1 per share.

Standard Sulphur Co. plans to spend approximately $450,000 of the net proceeds from the sale of the stock in the construction of a small plant on its leased property of about 800 acres known as Damon Mound and located in Brazoria County, Texas, which is about 50 miles from Houston, and in the purchasing of machinery and equipment necessary for the erection and operation of such a plant.

It is estimated that the proposed plant will have a daily capacity of 500,000 gallons of hot water per 24 hours and will be capable of producing between 75 and 100 tons of sulphur per day using what is known as the "Frasch Process" under the assumed mining conditions.

Operating expenses at Damon Mound are estimated at $125,000, and additional expansion of the projected plant, if the situation warrants, would result in further outlays of about $140,000. The balance of the proceeds from the sale of the stock will be used for other corporate purposes.

Mason Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Lloyd E. Burton has been added to the staff of Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange. He was formerly with the First California Company.

Salomon Bros. Hutzler

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — LeGrande W. Colby is with Salomon Bros. & Hutzler, Russ Building.

Business Approaching Normalcy

Business Survey Committee of the National Association of Purchasing Agents, headed by Robert C. Swanton, says increased confidence since election is countered by more competition and a normal give-and-take of supply and demand.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company Division of Olin Industries, Inc., New Haven, Connecticut, indicates that there is a general feeling of increased confidence since the election, and this has been translated into something more concrete than hopeful optimism. Nothing of boom proportions is anticipated, or even boomlet, according to the survey, but a steady movement is foreseen, with sustained good business, at least for the near term of three to four months. New orders are up, but backlogs are eaten into by increased production. Prices are reported by the majority as stable, showing a tendency to decline as selling intensity is stepped up and competition increases the normal give and take of supply and demand. A healthy condition is expected to result if and when controls are abandoned. Protective industrial inventories continue to decline with the ready availability of most materials. Employment increased, both in number and a longer work week. Skilled workers are short. Productivity is better. Labor unrest is easing. Buying policy is within a hand-to-mouth to 90-day range, with predominance in the 30-to-60-day bracket.

Robert C. Swanton

According to the survey, industrialists, reviewing the year-end book balancing and profit and loss statements, are taking a sharp look at the profit position. There are numerous comments in the January survey reports concerning low profits and high break-even points, with the opinion expressed that much planned capital expenditure is for plant modernization to reduce costs, rather than for capacity expansion.

The concensus is that business is good, approaching a degree of normalcy; management is optimistic but conservative and cautious; for many things can happen to change the picture.

Commodity Prices

The trend to lower prices is more pronounced in the January reports. Twice as many record lower quotations than higher. The majority, however, see no change. A number of OPS authorized increases are listed. Reports mention the fact that advances are restrained by sharper competition, indicating a stronger buyers' market. Commodities influenced by foreign markets show the greatest weakness.

Inventories

Industrial, purchased material inventories continue to decline at about the same rate as in the past three months. Some stocks are reported getting too low for comfortable operation. There are very few materials critically short. Supply is meeting demand in many scarce items and catching up on others. On the whole, delivery performance is better.

Employment

Pay rolls have increased this month, reversing the seasonal trend of late December. There are more reporting longer work weeks and additional shifts in January. Still an unsatisfied demand for skilled and white collar workers. Increased defense production is noted. Labor unrest is abating. Productivity is better.

Buying Policy

The future commitment range continues within 90 days. There has been a decided switch from the 90-day column to 60 days, with some previous 30-day buyers moving up to 60. A trend to smaller orders placed more often is noted, as Purchasing Agents watch the declining price indices, intensive selling efforts and easing supply lines. Cautious optimism supports these policies.

Southwestern P. S. Co. Securities Offered

Dillon, Read & Co. Inc. heads investment banking groups which yesterday (Feb. 4) offered for public sale $12,000,000 first mortgage bonds, 3½% series due 1978, and 20,000 shares of 4.60% cumulative preferred stock, par value $100, of Southwestern Public Service Co., and is underwriting 293,462 shares of common stock of that company being offered through subscription warrants to its common stockholders. Dillon, Read & Co. Inc. is also acting as dealer-manager of a group of securities dealers being formed to solicit the exercise of the common stock subscription warrants.

The bonds are priced at 101% plus accrued interest and the preferred stock is priced at $100 per share plus accrued dividends. The subscription warrants, which expire on Feb. 17, evidence rights to subscribe for the common stock at $21.50 per share, at the rate of one share for each 12 shares held of record on Feb. 2, with the privilege of subscribing for additional shares, subject to allotment, if total subscriptions exceed 293,462 shares.

The present financing by the Southwestern company represents the first public offering of its bonds since 1945 and of its preferred stock since 1947, most of its senior securities having been sold privately to insurance companies. Also, the financing represents the company's seventh consecutive annual issue of rights to common stockholders.

Proceeds of the present financing will be used by the company for the construction of additions and improvements to its properties or to repay bank loans obtained for that purpose.

The company, which is engaged principally in the generation, transmission, distribution, and sale of electric energy, serving northwestern Texas, (and portions of) Oklahoma, and New Mexico, estimates it will spend approximately $23,400,000 for construction during the fiscal year ending Aug. 31, 1953 including $12,900,000 for new electric generating facilities, and $9,600,000 for transmission and distribution facilities.

William C. Orton

William C. Orton, manager of the unlisted trading department for Gude, Winmill & Co., New York City, passed away suddenly at his home on February 1. Mr. Orton, who formerly conducted his own investment business in New York, was 84 years of age.

Continued from first page

Business in 1953

The soft goods industry, and notably the textile industry, cannot claim that 1952 taken as a whole was a good year.

1952 a Great Boom Year

By the end of 1952 the country was in the midst of one of the greatest booms that we ever had in peacetime in the history of this country. I can prove this statement that we were in the midst of the greatest boom by citing all kinds of figures, but let me cite you just a few.

Disposable income, that is, net income after taxes, in which the retailer is particularly interested, toward the end of the year was at the annual rate of $235 billion. We had less than one and a half million people unemployed, which indicates that everybody willing to work could find a job, and that only those allergic to work were unemployed. Wages were high and the number of hours worked per week at the end of 1952 was higher than at the end of 1951.

All these figures—and I could cite many more—prove that at the end of 1952 the country was in the midst of a great peacetime boom. What brought this boom about? If we answer this question we will also have a fairly good indication as to what kind of a year 1953 will be.

The boom was brought about partly by a continual but slow increase in military expenditures. It was brought about by a large volume of expenditures for capital goods by industry, mining and trade. It has been estimated that total capital expenditures by industry during 1952 amounted to $27 billion. It was brought about by a large volume of construction, homes and all others. All these factors generated purchasing power, and while the people saved considerable amounts during the year, they were also free in their spending and business is good.

To this should be added the fact that the Federal Government operated in part with a deficit, borrowed additional money primarily from the banks, thereby created additional deposits. The boom was also stimulated in part by the fact that private borrowing, notably on mortgages, consumer credit, was on a very high level.

So long as these forces continue, business activity is bound to remain at a high level. Therefore, one has to analyze to the best of one's ability how long these forces will last, when they will come to an end, and what will happen when these forces finally come to an end.

Military expenditures in all probability during the calendar year 1953 will remain at a high level. All of us have seen the budget estimates for 1952-53. Very little changes will be made in these estimates by the new Administration, and therefore we do know that between now and the end of June military expenditures will either remain at the present level or may somewhat increase.

What happens after June it is not easy to state, because a great deal will depend on the international political situation, and a great deal will depend on the attitude of the new Administration.

As far as the international political situation is concerned, we are today at what seems to me to be on dead center. It must either get better or it will get worse. I don't know what will take place, and therefore the retailer who makes plans for the second half of 1953 must be not only a good buyer and a good merchandise man, he must also be a soothsayer in order to anticipate what the international political situation will be.

Capital Expenditures

Capital expenditures in all probability will remain large throughout a greater portion of the year. The careful estimates made by the Department of Commerce and by others indicate that total capital expenditures by corporations during 1953 will be only about 2 to 3% smaller than in 1952. Even if they are 5% smaller, still capital expenditures are bound to be large.

As far as the construction industry is concerned, in all probability it will operate in high gear. While it is true that fewer homes will be erected, because there will be smaller formation of families in 1953, yet public works ought to be on a larger scale than in 1952.

Whether or not people will continue to borrow as freely as they did in 1952 I don't know. Whether or not the government will operate with a deficit we don't know as yet. But, be that as it may, based on a careful analysis of all the forces operating in the economy at present, one is justified in reaching the conclusion that on the whole 1953 will be a good year.

At the same time I believe it is not warranted to put on rosy glasses and to say all the economists have predicted a good year and therefore we don't have anything to worry about. That is not so.

Maladjustments

Certain maladjustments are beginning to creep into our economy, certain weaknesses are becoming noticeable, and it is of the utmost importance that we don't overlook them. These weaknesses very briefly stated are:

(1) Prices of commodities, notably sensitive commodities, raw materials, and farm products are weak. In a period when the economy is operating at almost capacity, when there is practically full employment and wages are higher than ever before, when the businessman sees commodity prices weak he should consider it as a sign of weakness and watch it. Should, during the second quarter of this year commodity prices still be weak, then you will know that it is time to pull in your horns, that this may forecast something which the economists early in the year did not call to your attention.

(2) We cannot overlook the fact that the prosperity of 1952 was at least in part based on a huge increase in the private debt. Mortgage indebtedness increased percentagewise faster than the gross national product and the disposable income. Consumer indebtedness since May has increased at a very fast rate.

You and I know that in a period of good business people are optimistic and they are willing to borrow more. As people borrow they create additional purchasing power, and this additional purchasing power created through borrowing stimulates the boom even more. The moment business activity begins to taper off, people are somewhat more pessimistic, borrowing either remains stable or is not increased to the same extent as before, or more likely it tends to go down, and the decrease in borrowing which reduces purchasing power actually accentuates the decline in business activity.

Therefore, we must watch carefully what is happening to private indebtedness, will it continue to grow? Should it continue at the present rate, then we know that when the end comes the consequences are bound to be more serious.

(3) The productive capacity of this country has increased materially. At present the productive capacity of the country is 50% greater than is was at the end of 1945. At the end of 1945 the productive capacity of this country was the miracle of the world. Since 1951 we have witnessed a rolling readjustment, where one industry after the other reaches peak, goes down, liquidates inventories and then comes back. This rolling readjustment will continue during 1953, brought about by the increase in the productive capacity of the country, and by the increased supply of goods available for consumption.

All this indicates quite clearly a highly competitive market, and therefore, while I believe we have every reason to be optimistic, while we have every reason to look forward with a great deal of confidence, we also must realize that competition will be keen, perhaps keener than before. There will be competition, natural normal competition and new competition. By normal competition I mean that one store will compete with the other, one manufacturer manufacturing apparel will compete with the other. And by the new competition I mean new products will appear on the market. They will compete with older products. The manufacturer of the older product will not take it lying down. Price wars may develop, from which the retailer may benefit or suffer, depending on how he can handle his affairs.

I stated a moment ago that the soft goods industries did not share in the great prosperity which prevailed in 1952. In the soft goods industries, and notably the textile industry, we found this situation. Sometime in the middle of 1951 business activity began to decline, and the year from about the middle of 1951 to the middle of '52 was one of the poorest years that the textile industry had in a great many years.

I remember towards the end of 1951 I made a speech in which I said business activity is very good. Some of the textile men smiled at me and after the meeting was over they asked me, "Where do you live that you talk about we are having great prosperity?"

Reasons for Soft Goods Declines

There is a reason why the soft goods industries did not do so very well, and the figures I believe give us the reason. If we take the disposable income, that is, the income of individuals net after taxes, we find that in 1939 about 10% of the disposable income of individuals was used to buy apparel and shoes. Ten percent 1939 was a poor year. During the period 1946 to 1950, 10.5% of that disposable income of individuals was used to purchase apparel and shoes. During the first nine months of 1952, only 8.7% of the disposable income was used to buy apparel and shoes. In other words, apparel and shoes fell behind the general procession. There must be a reason why this is so. If I were to tell you I know all the reasons you wouldn't believe me, but I make merely a few observations which I hope will be of some interest to you.

First, the buying habits of the American male are not what they should be or could be based on the income of the American people. Apparently our fathers or people of my generation—by that I mean old men—paid a great deal more attention as to what kind of suits they wore, what kind of hats they wore, or what kind of ties they wore. Today youngsters don't even buy a hat.

Second, in the last few years a great decentralization has taken place, away from the congested cities into suburbs. It is quite possible that when the man or the family moves from a congested city to a suburb that it leads to different buying habits, which I believe deserve your careful study.

Third, I believe one ought to inquire carefully what effect television has on the buying habits, not only of men but also of women. I don't know. My speciality is not marketing. But I merely know this: When I was a young man and I courted young ladies, I took them either to the theatre, if I had money, or to the movies. A young lady had to be dressed up and I had to buy a new tie. Now I notice that the youngsters, including the oldsters, sit in front of the television set and look, and you don't have to be dressed up for that. I don't know to what extent this is influencing the buying habits of the people.

I am not particularly worried over the fact that during the past few years durable consumers' goods took a larger percentage of the disposable income, because there were no new cars manufactured during the war, there was a great pent-up demand for all kinds of durable goods, and it was to be expected that the moment durable goods became more plentiful they would absorb a larger percentage of the disposable income. This to me is a passing phase. I may be wrong.

And finally I believe it is worthwhile examining what effect the increase in the number of children per family will have on buying habits. I know it from my case. Where people live on a modest income—and most people live on a modest income — first come the children, then the wife, and if anything is left, why, the old men gets a new coat. Otherwise, the old coat which doesn't go out of style. All these developments I believe have a bearing on the distribution of soft goods, notably apparel, and they ought to be studied very carefully.

Let us ask ourselves the next question. This boom which prevails at present cannot last forever. You and I know nothing can last forever. Sooner or later military expenditures will reach peak and then will decline. Sooner or later capital expenditures are bound to decrease, because already our productive capacity is so great. Sooner or later foreign aid by the United States Government is bound to decrease materially or come to an end. Sooner or later the pent-up demand for all commodities, homes, automobiles, all kinds of durable goods, will come to an end. What happens then?

Practical Conclusions

Let me rephrase it, in order to indicate to you that I am not trying to be academic but rather practical. We do know from the forces that operate in our economy that so long as they operate business activity will remain at a high level. What we don't know is when these forces will begin to taper off. Some people tell you in the second-half of the year, other people tell you towards the end of the year, other people postpone it and say the charge will not occur until the beginning of '54. I tell you the honest truth, I don't know, because a great deal will depend on the buying, spending and saving habits of the people.

You have seen it in 1951. In spite of the fact that business activity was at a high level, in spite of the fact that the disposable income of individuals was large, the women, who spend a large percentage on the retail level, decided to save and not to spend, and what can you do about women? Nothing. And that is the reason why I say I don't know when these forces will come to an end. They will not come to an end suddenly.

The question that I raise is this: If you agree with me that this boom some day is bound to come to an end, what happens thereafter? And here we hear all kinds of predictions. Some people tell us this, that we know from history that every major war was followed by a major boom, after which there was a major depression. There is no reason why this should not happen after the present boom, particularly since this boom has lasted longer than any other boom. And if history is to this effect we ought to analyze it carefully.

I am of the opinion that a major depression in the United States will not take place, cannot take place. Just because history proves that every major war was followed by a boom and a subsequent depression, that is no proof that this will happen again. My belief that a major depression cannot take place in the United States is based on these considerations;

(1) Our economy is a dynamic economy, based on the following facts: A sharp increase in population. It has been estimated that during the present decade the population in the United States will increase by 24 million people, whereas during the decade 1940-1950 the population increased at the annual rate of 1.4%; since the census was taken in April, 1950 the population is increasing at the annual rate of 1.7%. Last year three and a half million babies were born, three and a half million customers. They are rapidly increasing. A rapidly increasing population creates a dynamic economy.

There has been in addition a geographic shift in population, and there is in addition to this a strong decentralization movement, all of which will create dynamic conditions.

(2) Nowadays American industry is spending huge sums of money on research, and when industry spends money on research it is not research for its own sake, it is research to produce, to create new products. New products have been created, new products will be created, and these new products will come in competition with the old products, and very often will destroy their value. In a dynamic economy, new values are created, old values are destroyed.

(3) Nobody can tell me that money wages will go down. Labor is economically and politically powerful, although not as powerful as a few months ago. I do not believe that there will be any reduction in money wages. Competition, however, will be keen because of the increase in the productive capacity of the country.

Competition will be further increased by added imports from abroad, and by declining exports. That in turn means that American manufacturers will endeavor to become low-cost producers. That in turn means that there will be a constant strong demand for machinery and equipment, and for new labor-saving devices. That means that the factor of obsolescence will play a much more important role in the future than in the past. The item of depreciation, based on a huge amount of capital expenditures made during the last few years, will play a much more important role.

Dynamic Economy

These are some of the factors which make our economy dynamic. Add to this the important factor in which you are interested, namely that the standard of living of the people is high and it is still increasing. To be sure, the standard of living of some people in the higher income brackets has

come down, but the standard of living of most people in the country is still increasing.

A high standard of living creates a demand for all kinds of commodities which did not exist when the standard of living of the people was low. Today wages, real wages, are much higher than in 1940, and they will increase. The people will have the money and they will spend it. A rising standard of living is an important element in a dynamic economy.

Add to what I have just told you the simple fact that the liquid savings in the hands of the people are over $200 billion. To be sure, there are people who have nothing, who are in debt. But the solid citizenry of the United States is saving year after year. The liquid assets composed of cash on hand, cash in the bank, government securities, amount to over $200 billion. There is purchasing power to be tapped, there is purchasing power to be lured, if you offer what the people want.

So long as the people didn't have the money it didn't make any difference what you offered them. "What good is a price, what good is a value if I don't have the money. Well, I may look, but I can't buy." Today the people have the money.

Add to this the fact that never before in the history of any country was the economic security of the country so great as it is today. Millions of Americans are protected by unemployment insurance. Millions of Americans are protected by old-age pensions. Almost daily companies are establishing new pension funds, providing purchasing power for the people when they reach the age where they retire. This raises a new problem, the details of which I believe ought to be interesting.

As time goes on, looking into the future, there will be more younger people not working, more older people not working. But the older people will have the purchasing power. I don't know what the buying habits of people who are retired will be. That is something for you to analyze now in order to be ready.

If to all this you add the fact that the last two decades witnessed one of the greatest social revolutions in this country, you will reach the conclusion that a major depression in the United States cannot take place and will not take place.

In all probability, in my opinion, what is taking place in the United States is that a new pattern of business is developing. I believe this pattern of business will be marked by the following characteristics: (1) Business on the whole will be good. (2) The sellers' market in all lines will come to an end. Before 1953 is over, and assuming no worsening in the international political situation, the buyers' market will prevail in all lines. (3) Competition will be very keen, perhaps keener than ever before. The people will have the purchasing power and they will spend it where they think they can find good values.

Conclusion

What conclusions can one draw from all this? The conclusions that one can draw very briefly are:

(1) The year 1952 ended in the midst of one of the greatest booms that we ever had in the history of the country.

(2) So long as the forces which brought about this boom last, business activity is bound to remain at a high level. In all probability these forces will last at least during the first half of the year. They may continue into the second half of the year or later.

(3) In spite of the great boom, in spite of the favorable general outlook, certain weaknesses are developing. You cannot overlook them. If they should become more apparent, then you will know that the boom will come to an end sooner than is generally expected at present.

(4) The international political situation is bound to play an important role in economic developments. Right now we are at dead center. Should the international political situation improve, should the Korean war come to an end, it will hasten the end of the boom. Not only will it lead to a decline in military expenditures, but also it will lead to a decline in capital expenditures, and it may lead to a situation where the people save more and spend less.

Should the international political situation deteriorate, then the opposite will prevail. Who can predict? You must watch the international political situation.

(5) Changes in distribution will continue to take place. The cost of distribution is high. Great efforts will be made to reduce the cost of distribution. This is now the case and will be even more so when competition becomes keener than it is today. It is easy to say, "Reduce the cost of distribution," as a number of speakers have advised you to do. It is one thing to advise and another thing to do.

Finally, no boom lasts forever. This boom too will come to an end. When it comes to an end that does not mark the beginning of a long, serious depression, accompanied by a sharp decline in prices of commodities, accompanied by large-scale unemployment. A new pattern of business is evolving in the United States. This new pattern is based on the dynamics of our economy, and the great changes which have taken place in the past.

In finishing, I hope you gentlemen will not misunderstand me. If I were a businessman, which I am not—you know what George Bernard Shaw once wrote, "Those who know, do; those who don't know, teach"—you know what I am. If I were a businessman I would not so much worry myself as to what business will do. I would ask myself the question: Am I a low-cost producer? Am I a low-cost distributor? Am I taking into account the changes that are taking place in our economy? Am I fully aware of the changes in the buying habits that are taking place?

If I do all these things, I know I won't have to guess, that business will be good because the people will have the purchasing power and if values are offered to them, they will buy them.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jacob Goldschmidt is now with Mutual Fund Associates, 127 Montgomery Street.

Weeden Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Gerald E. Hall has become affiliated with Weeden & Co., 315 Montgomery Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Following the meeting of the Board of Directors of the **Bank of the Manhattan Company of New York** held on Jan. 29, J. Stewart Baker, Chairman, announced that the additional 250,000 shares of stock, issuance of which was approved by the stockholders at a special meeting Jan. 23, will be offered to stockholders at $31 a share. Subscription warrants entitling stockholders to subscribe for one new share of stock for each 10 shares held were scheduled to be issued to stockholders of record on Jan. 30. The subscription warrants will expire at 3:00 p.m. Eastern Standard Time on Feb. 17. The offering to stockholders is being underwritten by The First Boston Corporation and other underwriters, who have agreed to purchase any shares of stock not subscribed for by stockholders. Net operating earnings of the bank for the calendar year 1952, it is stated, amounted to $6,313,000, equal to $2.52 per share on the 2,500,000 shares of capital stock outstanding prior to the current offering. Dividends paid for the year 1952 amounted to $1.45 per share on the 2,500,000 shares. According to the offering circular, directors believe an annual dividend rate of $1.60 per share can be maintained on the increased number of shares to be outstanding.

Extract from minutes of the Jan. 22 meeting of the directors of the Bank of the Manhattan Co. indicate that "The Chairman said that several stockholders had discussed with him the possibility of a thought that the Bank's position should be made clear to all stockholders in offering to them any new stock and in any prospectus sent out in connection with the underwriting of any new stock. He suggested that the position which the Board has taken be stated in resolutions." The extracts further state:

"Thereupon, after discussion, it was unanimously:

"Resolved, that it has been and is the judgment of the Board that this Bank should continue in businessas an independent institution, as it has done for 154 years, and should not be merged into or absorbed by any other banking institution; and

"Resolved, further, that, in view of the advice of counsel that a transfer of the Bank's business out of its effective ownership and control would require the vote or consent of the holders of all of its capital stock and that, if objection were made by any stockholder by timely application to a court he might obtain an injunction against the transfer pending final decision, it has been and is the judgment of the Board that any such injunction would expose the business of the Bank to serious damage, and that these circumstances, as a practical matter, make it impossible to consummate any plan for such a transfer."

It may also be noted here that John J. McCloy, who in January succeeded Winthrop W. Aldrich as Chairman of the **Chase National Bank of New York**, and who presided at the annual meeting of the Chase on Jan. 27, is reported as having said at that time that the proposed merger negotiations between the Chase and the Bank of the Manhattan Company are "quite dead as I read the resolutions of the bank in question," this statement it is reported having been prompted by a question of a stockholder brought before the Chase meeting.

* * *

The merger of The **Bayside National Bank in Bayside, Borough of Queens, N. Y.** with the **Bankers Trust Company of New York** was approved by the stockholders of both banks at meetings held on Jan. 28. Bankers Trust Company's vote was cast at its annual meeting, at its main office at 16 Wall Street; 80.54% of its stockholders were represented and affirmative action was taken 2,413,004 shares to 3,131 shares. At Bayside National's special meeting, which was held at its main office at Bayside, Long Island, the percentage of stockholders present in person or by proxy was 90.17%, and the vote in favor of the merger was 57,708 shares to 12 shares. Following this action, and the usual permissions of the regulatory authorities, the four offices of The Bayside National Bank—all located in Queens County — opened for business on Feb. 2 as offices of Bankers Trust Company. The move adds about $26,000,000 in deposits, and some 35,000 customers, to the books of Bankers Trust Company, and brings the total of its offices in Greater New York to 17, seven of which are in Queens. The merger plans were noted in our issue of Dec. 18, page 2339.

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The appointment of Charles J. Mason as an Assistant Vice-President of **Manufacturers Trust Company of New York** is announced by Horace C. Flanigan, President. Mr. Mason is a graduate of Harvard College, 1922, and attended the Harvard Graduate School of Business Administration. He was employed by the Brooklyn Trust Company and joined Manufacturers Trust at the time of the merger of the two companies in October, 1950. Mr. Mason is a member of the Robert Morris Associates and a Director of the Crown Central Petroleum Corp. of Baltimore.

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The election of Edgar A. Ward, Jr. as an Assistant Treasurer of **The Marine Midland Trust Company of New York** was announced on Feb. 3 by James G. Blaine, President, following a meeting of the Board of Directors. Mr. Ward, formerly a Senior Clerk, will continue his association with the Bank Operations Department at the Main Office.

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Donald Darcy, Executive Secretary of The Bronx Board of Trade since 1948, has resigned his post with the Borough civic organization to serve as a Vice-President of **Bronx County Trust Company of New York, Bronx Borough** beginning Feb. 1, it was made known on Jan. 28. At the same time it was also announced that Mr. Darcy had been elected to the Board of Directors of The Bronx Board of Trade. Mr. Darcy frequently was the Board's spokesman before the City Planning Commission and the Board of Estimate. He has also appeared before State legislative and Congressional committees to advance Borough improvements.

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William T. Conroy of Wantagh has been elected Assistant Vice-President of the **Franklin National Bank of Franklin Square, N. Y.** according to an announcement made by Arthur T. Roth, President. Mr. Conroy has been, for several years, Assistant to William J. Boyle, whose resignation was recently announced. Mr. Conroy has assumed full charge of the Instalment Loan Department, Western Division. He joined the bank in January of 1946 and later that year was elected as Assistant Cashier. Steven Vanden Bergh, formerly in charge of the Instalment Loan Department at the Rockville Centre office, has been promoted to Assistant Cashier and will make his headquarters in Franklin Square as Assistant to Mr. Conroy.

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A stock dividend of $100,000 declared by the **Central National Bank of Yonkers, N. Y.** has resulted in enlarging the bank's capital from $400,000 to $500,000 effective Jan. 16.

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The **State Bank of Albany at Albany, N. Y.** is offering its stockholders rights to subscribe to 101,725 additional shares of capital stock at $25 a share on the basis of one share for each three shares held on Jan. 29, 1953. Warrants evidencing these subscription rights will expire at 2 p.m. EST on Feb. 20. Salomon Bros. & Hutzler will purchase any shares not subscribed for through exercise of the warrants. Of the proceeds from the sale of these shares, $1,017,250 will be added to capital, and the balance of $1,525,875 will be added to surplus. The bank, which started business on Sept. 7, 1803, is the 11th oldest bank in the United States and maintains a main office and seven branches in New York State. Three of its offices are located in Albany, and the other branches are in Mechanicville, Johnstown, Watervliet, Memands and Amsterdam.

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William R. K. Mitchell, Chairman of **Provident Trust Company of Philadelphia**, has announced that stockholders at their annual meeting on Jan. 20 elected DeLong H. Monahan to the Board of Directors. Mr. Monahan is Financial Vice-President of the Provident Mutual Life Insurance Company of Philadelphia, with which he has been associated since 1932.

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The election of J. Harry Schisler and Gary Black to the Executive Committee of the board of directors of the **Fidelity and Deposit Company of Maryland at Baltimore** has been announced by B. H. Mercer, President. The action took place at the monthly meeting of the board on Jan. 21. Now First Vice-President of the company, Mr. Schisler has been associated with the F. & D. since 1913 and for many years was in charge of its claim and salvage departments. He also is a member of the International Association of Insurance Counsel and Vice-Chairman of the publications committee of the insurance section of the American Bar Association. Mr. Black is a son of the late Van-Lear Black, a grandson of H. Crawford Black, one of the original founders of the Fidelity and Deposit Company, and a nephew of Harry C. Black, Chairman of the board of the A. S. Abell Company, publishers of the Baltimore "Sun" and "Evening Sun." He has been a member of the F. & D.'s board of directors since 1947 and is associated as a business partner with Harry C. Black.

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The Board of Governors of the Federal Reserve System announced on Dec. 18 the appointment of John C. Baker, President of the Ohio University, at Athens, Ohio, as a Director of the **Cincinnati Branch** of the **Federal Reserve Bank of Cleveland** for the unexpired portion of the term ending Dec. 31, 1954. Mr. Baker succeeds Ernest H. Hahne, President, of the Miami University of Oxford, Ohio, deceased.

CHICAGO TITLE AND TRUST COMPANY, CHICAGO, ILL.

	Dec. 31, '52	Dec. 31, '51
Total resources	$48,355,000	$48,348,000
Trust & esc. cash	14,603,000	14,573,000
Market securities	35,162,000	35,519,000
Loans	524,000	73,000
Undivided profits	3,716,000	3,367,000

* * *

Stockholders of the **Harris Trust and Savings Bank, of Chicago, Ill.** at their annual meeting on Jan. 14, acted favorably on the proposal of the bank's directors to increase the capital stock of the bank from $10,000,000 to $12,000,000. A further resolution was passed authorizing the board to transfer $2,000,000 from undivided profits to capital account as of Jan. 26 and to issue to stockholders of record that date new shares of stock in proportion to their present holdings. Following the stockholders' meeting, the directors declared the stock dividend by voting to issue 20,000 new shares of $100 par capital stock to stockholders of record Jan. 26, on the basis of one new share for each five shares held on that date. It was arranged, where necessary, to issue warrants for fractional shares, subject to consolidation into full shares on or before Jan. 31, 1954. Fred G. Gurley was appointed Chairman, and Wayne A. Johnston Vice-Chairman of the Directors' Trust Committee for 1953. Other directors appointed to this committee were Harold H. Swift and J. G. Searle.

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Directors of **The Northern Trust Company of Chicago** announced on Jan. 13 the following promotions: Robert E. Hunt was advanced to Vice-President in the Banking Department where he will head up Division A. Mr. Hunt came to The Northern Trust Company in 1934, was appointed Assistant Cashier in 1942 and Second Vice-President in 1948. Others appointed Vice-Presidents were Norman McClave, Jr., Trust Department; Davis G. Kirby, Market Research and Development; James L. Porter, Personnel, and John A. Mattmiller, Operating. Maurice E. Graves was advanced from Vice-President to Vice-President and Comptroller. Chapin Litten was named a Second Vice-President in the Trust Department.

On Dec. 19 the stockholders of the Northern Trust Co. approved plans to increase its capital from $3,000,000 to $6,000,000 details of which appeared in our issue of Nov. 27 page 2038.

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Directors of **Sears-Community State Bank, of Chicago** at their annual meeting Jan. 21 elected William G. Dooley President to succeed J. Louis Kohn who is retiring as President but will remain as a Director. Mr. Dooley has been Vice-President and Director for many years and is active in civic affairs on the West side and in Oak Park and River Forest. Directors also promoted Joseph B. Taslitz, Assistant Vice President in charge of the real estate and consumer loan departments, to Vice-President and elected J. M. Deininger Vice-President in charge of the Comptroller and Auditing Divisions. Last year the bank increased its capital from $1,600,000 to $2,000,000, and its surplus from $1,400,000 to $1,500,000 as a result of which combined capital and surplus now aggregate $3,500,000.

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At the annual shareholders' meeting of **La Salle National Bank of Chicago, Ill.**, presided over by John C. Wright, President, the number of directors was reduced from 15 to 13. Harold Meidell, Executive Vice-President, was elected a director. David F. Bremner and Thomas J. Downs retired from the board. All other directors were re-elected. The directors of the bank at its organizational meeting acted as follows: President John C. Wright was given the additional responsibility of Chairman of the Board, succeeding in the latter title the late Laurance H. Armour. Laurance H. Armour, Jr., was elected to the newly created position of Vice-Chairman of the Board. The board elected five new Assistant Vice-Presidents; Roger B. Brinkman was advanced from Trust Officer to Assistant Vice-President; Milton F. Darr, Jr., from Assistant Cashier to Assistant Vice-President; Robert G. Harrop, Jr., from Assistant Cashier to Assistant Vice-President; William P. Kenelly from Assistant Cashier to Assistant Vice-President; Harry A. Thomson from Trust Officer to Assistant Vice-President. Robert Hurter was elected Assistant Cashier. All other officers were reappointed. The board also declared a semi-annual dividend of $1 per share, payable 50c per share on Jan. 20 to shareholders of record Jan. 16, and 50c per share payable April 15 to shareholders of record April 13. The board's action places the dividend on a $2 annual basis as compared with the former annual rate of $1.80 per share.

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The Board of Directors of **The Millikin National Bank of Decatur, of Decatur, Ill**, announces the election of Everett E. Joynt as President of the Bank effective Jan. 13.

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To prepare for his induction as Director of the Budget in the new Administration at Washington, to which post he was appointed by President-elect Eisenhower, Joseph M. Dodge resigned, effective Jan. 15, as Chairman of the Board and as a Director of **The Detroit Bank, at Detroit, Mich.** The directors thereupon appointed Cleveland Thurber, a Director of the bank and its legal counsel, Acting Chairman of the Board, in which capacity he has agreed to serve until Mr. Dodge is released from his official duties in Washington. At that time Mr. Dodge is expected to return to the bank as Chairman. At the annual shareholders' meeting on Jan. 20, Charles H. Hewitt, Executive Vice-President, was elected a Director of the bank. All other Directors were reelected. Shareholders approved the proposal to split the bank's stock two for one, by reducing par value from $20 to $10 a share and issuing two new $10 par shares for each of the $20 par shares now held. The number of outstanding shares will be increased from 375,000 to 750,000. As indicated previously, while the rate of dividends in the future will be determined by prevailing conditions, it is expected that the new shares will carry an annual dividend of $1.60. Raymond T. Perring is President of the Detroit Bank.

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August A. Busch, Jr., President of Anheuser-Busch Inc., was elected a member of the board of directors of the **First National Bank in St. Louis** at the annual meeting of the bank's stockholders on Jan. 13. Mr. Busch, who has been a St. Louis business leader for many years, began his career with Anheuser-Busch, Inc., in 1924 as General Superintendent. In 1926 he was elected Second Vice-President and a member of the board of directors and in 1946 he became President of the company. In 1942 Mr. Bush was commissioned a Major in the U. S. Army Ordnance Department. In July, 1945 he retired from active service with the rank of Colonel.

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The board of directors of **City National Bank & Trust Co., Kansas City, Mo.**, elected the bank's first woman officer on Jan. 13, when Miss Jeanette M. Noland was named Assistant Cashier. Miss Noland for 16 years has been assistant to J. M. Freeland, Vice-

President in charge of livestock loans at City National.

John W. Anderson, Vice-President of Sheffield Steel Corp., was on Jan. 13 elected to the board of directors of City National Bank & Trust Co., of Kansas City. Mr. Anderson has long been associated with the steel industry and is a member of the Steel Products Industry Advisory Committee (NPA) and the General Steel Industry Advisory Committee to Office of Price Stabilization. Mr. Anderson serves on the Industrial Committee of the Chamber of Commerce and is active in the Kansas State Chamber of Commerce.

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Consolidation of the **Joplin National Bank & Trust Co. of Joplin, Mo.** with the **First National Bank of Joplin**, became effective at the close of business Dec. 31 under the charter and title of the First National Bank of Joplin. The First National had common stock of $400,000 while the Joplin National Bank & Trust had common stock of $250,000. At the date of the consolidation the enlarged First National Bank had a capital stock of $1,000,000 in 50,000 shares of common stock (par $20 each) surplus of $50,000 and undivided profits of not less than $350,000.

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Enlargement of the capital of the **First National Bank of Jackson, Tenn.** is announced, the amount having been increased from $200,000 to $300,000; of the addition, $50,000 was brought about by a stock dividend, while the further $50,000 increase resulted from the sale of new stock.

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The stockholders of **The Trust Company of Georgia, at Atlanta** at their 62nd annual meeting approved the recommendation of the Directors to increase the capital of the company from $2,000,000 to $4,000,000. This will be effective by issuing a stock dividend for 20,000 shares on a basis of one share for each share now held and by transferring $2,000,000 from the surplus account to the capital account. Upon the completion of the change, the company's capital will be $4,000,000 and the surplus will be $6,000,000. The increase is subject to approval by the Secretary of State, and the State Superintendent of Banks. Following a recent meeting of the Board of Directors of the Trust Company of Georgia, Marshall B. Hall, President, announced the promotion of the following: Robert C. Mathews, Jr., to Vice-President, Joel B. Kersey and Roland K. Weekley to Assistant Vice-Presidents, and B. M. Doster to Trust Officer.

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Plans for a $3,000,000 increase in the capital funds of the **First National Bank of Atlanta, Ga.** were aproved by the stockholders at their annual meeting on Jan. 13, in accordance with proposals of the directors noted in our issue of Dec. 25, page 2518. Referring to the action of the stockholders the Atlanta "Journal" of Jan. 13 said in part:

"James D. Robinson, Jr., Chairman of the Board of the First National, said the increase in the institution's capital funds will be represented by an issue of 100,000 additional shares of stock having a par value of $10 a share and priced to shareholders at $30 a share. Currently the stock is quoted at $36 a share bid and $38 a share asked. Present shareholders, he said, will have prior subscription rights to the new stock through Jan. 30, on the basis of one share of new stock for each six shares owned on Jan. 13.

"It is expected that the transaction will be completed within 30 days. Then the capital funds of the First National will total $21,938,375, allocated as follows: capital, $7,000,000; surplus, $9,000,000; undivided prifits, $3,063,383, and reserve for contingencies (not including loan valuation reserve), $2,174,992. The new stock issue has been underwritten by a group of security dealers."

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Through its Financial Editor, Charles B. Forbes, the Miami "Daily News" recently reported that **The Central Bank & Trust Company of Miami, Fla.** announced the promotion of two Assistant Vice-Presidents. They are Jerome M. Ashman, Vice-President and Cashier, and R. D. Marzaine, Jr., Vice-President. Mr. Ashman joined the staff of the old American National Bank & Trust Company in Miami in 1941 and became an Assistant Vice-President of the First National Bank of Miami when the latter bank took over the American National. He joined the Central Bank in 1950. Mr. Marzaine went to Miami in 1949 from the Bank of Commerce, Newark, N. J. He joined the First National staff and moved to the Central Bank the next year.

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We learn that two Vice-Presidents of the **First National Bank of Mobile, Ala.** were advanced to Senior Vice-Presidents by the bank directors at their recent annual meeting. Information to the effect was contained in the Mobile "Press Register" of Jan. 14, which also said in part:

"The advancement of John D. Terrell from Vice-President and Cashier to Senior Vice-President and Cashier and James T. Overbey from Vice-President to Senior Vice-President topped a list of promotions authorized by the First National board.

"The directors' meeting followed the annual meeting of the bank's shareholders at which all directors were reelected and a gain in assets was reported.

"In other promotions, A Danner Frazer and Charles E. Van Devender were advanced from Assistant Vice-Presidents to Vice-Presidents and Frank W. Drey from Assistant Cashier to Assistant Trust Officer. William M. Feeney and Sanford S. Moore were named new Assistant Cashiers."

* * *

Promotions of four staff members of **Republic National Bank of Dallas, Texas** to higher positions were announced recently by Fred F. Florence, President of the Bank. Those elected to higher positions in the bank at a meeting of the Directors, were J. W. Denny, John W. Stovall, James W. Keay and Daniel N. Liner. Mr. Denny and Mr. Stovall were promoted from Assistant Vice-Presidents to Vice-Presidents. Mr. Keay was elected Assistant Cashier, and Mr. Liner was elected Assistant Trust Officer.

R. L. Tayloe, Vice-President in charge of Sears, Roebuck & Co.'s Southwestern Territory, was elected a member of the Board of Directors of Republic National Bank at the 33rd annual meeting of the bank's stockholders, President Florence announced.

* * *

William W. Crocker, Chairman of the board of **Crocker First National Bank of San Francisco**, and William Pflueger, Vice-President, in a joint report to stockholders at the annual meeting held on Jan. 13, reported that loans, deposits and total resources of the bank reached new high levels during 1952. Following the stockholders' meeting, the directors authorized the transfer of $3,000,000 from undivided profits to surplus. The new capital structure of the bank is as follows: Capital $6,000,000; surplus $19,000,000 and undivided profits $2,938,904. The board also announced the following promotions: From Assistant Vice-President to Vice-President, Edward F. Kirchen, securities department and Henry L. Kaufmann, foreign department. Ralph B. Wells, eastern representative of the bank with headquarters in New York City, was also named Vice-President.

* * *

Three Tacoma business and professional men were elected to the Board of Directors of the **Puget Sound National Bank of Tacoma, Wash.**, at the bank's annual stockholder's meeting, it is announced by Reno Odlin, President. They are W. P. Gullander, Financial Vice-President, Weyerhaeuser Timber Company; Edgar N. Eisenhower, Tacoma tax and corporation attorney, and Charles D. Hunter, Jr., member of the law firm of Eisenhower, Hunter, Ramsdell & Duncan.

Albert de Jong Now With Hirsch & Co.

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Albert de Jong formerly of Albert de Jong & Co. (dissolved) has been admitted to the firm as a general partner.

Robert C. Buell

Robert C. Buell, partner in Robert C. Buell & Co., Hartford, Conn., passed away at the age of 78 following a long illness.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Feb. 15 refunding has been well received by the money markets and there are indications that the exchange of the maturing 1⅞% issue for the 2¼% certificate and the 2½% bond will be a very successful one with only minor attrition likely. According to reports, there will be a larger turn in for the one-year certificate with the 2¼% rate, than for the 2½% bond. It seems as though the smaller commercial banks will be the principal takers of the 2½% obligation. If this should be the case, with the 2½% bond not having as much appeal to holders of the Feb. 15 certificates, as the one-year 2¼% issue, the Treasury will not have accomplished too much in extending maturities

The better tone that has been evident in the government market after the coupon rates and maturities of the refunding obligations were made known was due in part to some short-covering and an improved demand for the outstanding intermediate term obligations. The longer-terms firmed because of some private pension and trust account scale buying.

The announcement by Treasury Secretary Humphrey of the refunding terms for the certificates was only a mild surprise as far as the money markets were concerned. The fact that the information about the refunding had been parcelled out in piecemeal fashion took much of the element of surprise out of the operation. It had been expected, however, in some quarters that the one year maturity might have a 2⅛% rate, instead of the 2¼% coupon. On the other hand, the five-year 10-months bond with a 2½% rate was in line with most expectations, even though there were opinions that a six-year obligation would be part of the refunding package.

One-Year Issue Has Greater Appeal

The 2¼% rate for the certificates that are being offered in exchange for the Feb. 15 maturity had considerable appeal to the larger commercial banks and many other financial institutions, as well as corporations that are interested in short-term liquidity. It is believed that the bulk of the exchanges of the Feb. 15 maturity will go into the one-year 2¼s. It is being pointed out that a one-year 2¼% obligation is more compatible with the requirements of most of the holders of the maturing certificates than a five-year 10-months bond. The 2½% bond, nonetheless, did have appeal to the out-of-town commercial banks, with indications that these institutions are going to be among the important takers of the bond that is being offered in exchange for the Feb. 15 maturity. It is reported, however, that not a few of these same banks are exchanging the Feb. 15 certificates for the new one-year 2¼s.

If a 2⅛% certificate had been offered instead of the 2¼% issue for refunding purposes, the smaller out-of-town commercial banks would have gone in more heavily for the 2½% bond. There were also reports that switches were being made by some of the country banks from other issues into the Feb. 15 certificates in order to get the new 2½% bond. This kind of self-refunding, however, was not too sizable, according to indications.

Conflicting Views on Rate Trend

There still seems to be many conflicting ideas in the money markets about the future pattern of interest rate, and the Feb. 15 refunding with 2¼s and 2½s has not done much to clarify the situation despite the use of higher coupon rates in meeting this maturity. There are those who believe the demand for loanable funds will tend to decline as the year goes along and, in their opinion, this will mean easier money rates. Because of this feeling, there has been a tendency for these owners of the Feb. 15 certificates to go more into the 2½% bond instead of the one-year 2¼% certificate. There appears to be considerable question in the minds of these people as to whether future refundings are likely to be as favorable as the present one.

As an offset to this type of reasoning there are those who believe that higher interest rates will be more evident in future operations of the Treasury and the current undertaking is the first step in that direction. Accordingly, they are making exchanges of the Feb. 15 certificates into the one-year 2¼s in order to be in a better position to take advantage of higher interest rates which they believe to be in the making.

Although there is nothing definite about what Federal will do with the holdings of the Feb. 15 certificates, the general feeling seems to be that the Central Banks will exchange for the one-year 2¼% obligation. It would not be surprising, however, if some of the 2½s found their way into the portfolio of the Reserve Banks.

Pension funds and trust accounts, that is the private ones, have, according to advices, been sellers again of the corporates with the proceeds going into the longest ineligible obligations.

Elmer Hammell With Taylor & Co.

CHICAGO, Ill.—Taylor & Co. (formerly Detmer & Co.), 105 South La Salle Street, announce that Elmer W. Hammell has become associated with them in charge of their Trading Department. He has been associated with LaSalle Street trading for the past 20 years. Mr. Hammell is currently an officer of the Bond Traders Club of Chicago. His previous associations were as a partner of Caswell & Co., more recently with Shillinglaw, Bolger & Co.

Elmer W. Hammell

Attend Clerk's Dinner

The sixth annual dinner of the American Stock Exchange Floor Clerks Association was held Jan. 27 at Schwartz's Restaurant on Broad Street. Wally Weil, Andrews, Posner & Rothschild, President of the group announced that 150 members and guests were in attendance.

John J. Mann, American Stock Exchange Chairman, James R. Dyer, Vice-Chairman of the Exchange, Mortimer Landsberg, former Board Chairman, David S. Jackson, Exchange Governor, Jack Feinstein, former President of the American Stock Exchange Five and Twenty Club, Harry Foshko, Exchange member, Edward Kelly, President of the American Stock Exchange Employees Quarter Century Club, Bernard Kamp, President of the Exchange's Reporters Association and James McIntyre, representing the New York Stock Exchange Floor Clerks Association, were among the guests of the association.

Al Marks, Brickman, Landsberg & Co., was Chairman of the affair.

Douglas Kent

Douglas Kent, member of the New York Stock Exchange and a partner in H. T. Carey, Joost & Patrick, New York City, passed away on January 23.

Continued from first page

As We See It

warranted in this particular. We have since the end of the war underwritten the future of Western Europe to the tune of $30 billion. Secretary Dulles the other day put it into clear words. He said:

"The trouble has been that in the past these Western European countries have used their military strength with which to fight each other and to bleed each other. Particularly France and Germany, as you know, have been fighting each other about once in every generation for quite a long time. The present hope is that Germany and France will join in a single European Defense Community and then we would have a situation where they could not fight each other and where their combined strength with that of their other allies would make it unlikely that the Red Armies would attempt to invade Western Europe.

"That's a good idea and it has had in this country bipartisan support. Unfortunately the plan now seems to be somewhat stalled.

* * *

"The United States has made a big investment in Western Europe on the theory that there could be unity there. Of the $40 billion which we have sent abroad since the end of the second World War, almost $30 billion have gone into Western Europe. If, however, there were no chance, and that I just refuse to believe, but if it appeared there were no chance of getting effective unity, and if in particular France, Germany and England should go their separate ways, then certainly it would be necessary to give a little re-thinking to America's own foreign policy in relation to Western Europe."

So far so good, but the fact is, or so it seems to us, that whether we realize it or not we have been underwriting a good deal more than political unity in Europe. On any other theory we have been wasting our substance in the most purposeless and profligate way. However we may feel disposed to relate our expenditures on the other side of the Atlantic to our own defense against Russia and to defend them on that basis, the fact is that such allies as we may acquire or hold in this way will not be worth a great deal to us unless and until they are on a much sounder economic footing than is today the case. United or divided, a group of countries not willing or not able to stand on their own economic feet at least to the point of making their own living would scarcely prove very valuable allies in time of world stress. This fact the President has now given clear evidence of realizing.

Could Go Further

It seems to us, therefore, that the Secretary of State, had he deemed it good policy at this time, could have gone a good deal further than he did in describing our position. He might well have added that we have sent a great deal of help to these countries for the purpose of getting them back on their economic feet after the devastating experiences of World War II. We realized, so it must be supposed, that not one but at least two conditions were required if they were to stand helpfully against the aggression of the Kremlin—at least two, that is, in addition to turning a deaf ear to the blandishments and the schemings of the Communists who were "working from within" to take these peoples of Western Europe into camp.

One of these conditions, the Secretary of State has well set forth. The other is that these peoples of Western Europe do what is necessary to establish their economies upon a solid and productive basis. This would require, of course, at the very outset, a determination to recover their economic independence. It would mean an abandonment of the apparent notion that somewhere, some one, somehow owes them a large part of their livelihood, or that the strategic location of the countries in question is such that other peoples, thousands of miles away, must have their cooperation at any price in order to keep communism at arms length. It also means that what are sometimes miscalled "reforms"—changes which get in the way of effective production of goods and services needed, programs which appear to rest upon the naive notion that plenty can be had without the exertion required to produce it—must take second place to vigorous economic effort and potent individual initiative. We in this country have grown tired of financing socialism and various other reforms in foreign countries. If these peoples want some other social organization less effective in providing the necessaries to their members than free enterprise, then they ought to be willing to take the consequences, not expect us to make up the deficiencies.

A Mess in the East

As to the East, the previous Administration has got us into a real mess. Bungling and incompetence have placed an almost insoluble problem in the lap of the Eisenhower regime. It is now becoming evident that the new Administration intends to do whatever is within its power to find and apply the remedies. This much is becoming clear both from what the President has now said and from the words of the new Secretary of State. To what extent the full plans of President Eisenhower and his aids have as yet been revealed we, of course, have no way of knowing. At least the Administration is at work; it rejects a defeatist philosophy. For that we must be thankful.

In at least one other respect thoughtful citizens will feel gratified with the President's approach to foreign policy and to our own defense. It was in connection with our own armed forces that he made the following observations, but the context leaves little room for doubt that he regards them as equally applicable to foreign aid of all sorts:

"Our problem is to achieve adequate military strength within the limits of endurable strain upon our economy. To mass military power without regard to our economic capacity would be to defend ourselves against one kind of disaster by inviting another.

"Both military and economic objectives demand a single national military policy, proper coordination of our armed services and effective consolidation of certain logistics activities.

"We must eliminate waste and duplication of effort in the armed services.

* * *

"We must effectively integrate our armament programs and plan them in such careful relation to our industrial facilities that we assure the best use of our manpower and our materials."

Continued from page 6

Government's Role in Preventing Depression

doubted that an even sharper struggle to capture the fruits of that productivity will take place when and as the necessity for military drain abates or as the fruits of government reorganization in the interest of efficiency and economy materialize. At the same time, there is grave apprehension on the part of management lest labor's use of its power may result in wage advances more rapid than producicitivity advances, with the resultant dangers either of continued inflation or of impairment of management's ability to provide jobs or to provide workers with the most adequate equipment in those jobs.

It is obvious that there is mechanically possible a solution of this problem of division of product so functionally correct as to permit continuance of the productive process in full quantity and constantly improving quality. But the rigidities of big corporate price administration and of big union wage administration, make it hard to come at. I believe that right here is the greatest threat to the continuation and stabilization of prosperity in the years just ahead.

The real nature of our inflationary boom and the logic of a stabilization program will be grasped only of we keep firmly in mind the tri-partite character of the economic process. The three sub-processes involved may be labelled respectively fiscal, monetary, and market. With heroic simplification, one can say that the inflationary situation in which we have been living derived from three sources: First, lavish Federal spending which always threatened and frequently involved actual deficits; second, easy credit policies which, on the one side, implemented the above-mentioned fiscal policies and on the other facilitated price inflation in the private market; and third, spiralling wage-price advances, condoned by many features of government policy or practice and aggravated by government competition for scarce goods and a tight labor supply. Time does not permit going into the interrelations of this complex process. But the significant point is that the fiscal and monetary parts of the problem have been faced, and to a considerable extent dealt with, during the past year or year and a half, whereas the third, that is the process of market adjustment, has been dealt with in only fragmentary fashion. It constitutes, therefore, the prime threat to continuation of our prosperity throughout the next four years. Furthermore, it will tend to become more acute in proportion as the Government's policy of dealing with the fiscal and monetary issues proves to be vigorous and successful.

No one was louder in his expression of fear than I was in 1950 and most of '51 lest inflation get out of hand. My fears, however, were considerably assuaged by the arrival of the Federal Reserve System at accord with the Treasury and by the acceptance by the Defense Establishment of a "stretch-out" schedule for the mobilization program. The new Administration is pledged to continue and extend both these sound policies. While this is excellent as far as it goes, it does not seem to me to justify the complacency entertained by the optimists which is based on the assumption that we can go on indefinitely at the present high level of prices, profits, wage escalation, and plant expansion of 1951 and 1952.

Impasse and Impatience

I continue to argue as I have for some time past that sooner or later we must face a show-down between two ideologies in our private business world. Whatever government may do as spender and taxer, whatever the Federal Reserve and our ramifying bank system may do about credit, the final decision as to whether production goes on, whether our labor force is employed and our goods get sold depends on whether the two major parties to private employment can agree on workable terms of trade. If they come to an impasse; if the "irresistible force of union demands meets the immovable body" of employer resistance, strikes and shut-downs will rise in number and volume. People disemployed at one plant become poorer customers of other plants. Consumer buying declines not merely through smaller pay envelopes but also through greater caution in spending what they do contain. The slower movement of goods from the shelves means fewer orders to the manufacturer, less purchase of materials, still further disemployment, and the postponement of building plans. I find it hard therefore to agree with those who feel that any recession that might develop in the next few years would be moderate and brief.

What I have described is the familiar downward spiral of depression. While it is true that farm supports, unemployment compensation, other parts of the social security system, and the relative relief from tax payments under our progressive system applies some brakes to this process that did not exist in 1929, no such palliatives can be an acceptable alternative to the spontaneous productivity of a healthy market. It still remains to be proved that they would, even supplemented by more drastic measures of a similar character such as massive tax abatement, be sufficient to stem the tide of recession if the ideologies of industrial management and industrial labor fail to make a peaceful settlement in even two basic industries simultaneously.

Over against this, we must place the fact that our people under the developments of the last 25 years have institutionalized, both economically and politically, a temperament of impatienace native to the pioneer stocks from which they sprang. They interpret the "American Way of Life" and the declarations of the Employment Act as meaning that they do not have to suffer the deprivations of another real depression. They have been told on the highest authority by the incoming Administration that they need not fear such an eventuality. This declaration raises questions too broad to be pursued here. One of the major ones is whether that assurance will so increase the intransigence of either or both of the parties that the chance of peaceful settlements is materially reduced. That I leave to your own pondering.

Perhaps the other major one concerns the means by which that promise is to be made good. Here I will suggest only one aspect of the matter which seems to me a cause of proper concern on both sides of the collective bargaining table and no less to every thoughtful citizen. It is this. If recession becomes at all general, employment will be curtailed all along the line, from the coal mine to the beauty parlor. To get the economy working again, people must be re-employed where they have been dis-employed. You cannot remedy unemployment in the costume jewelry plants and textile mills of New England by expanding public works in hydro-electric dams in the far West or slum clearance in Detroit. There would be a tremendous drive for government to take operative responsibility for both the manufacture and the distribution of staple wares—in a word, for socialization on a scale not dreamed of in this country and not practiced in Great

Britain even at the height of the labor government's program.

This is not to draw a horrendous picture of imaginary evils just around the corner but to look coolly in advance at a rapid train of dangers which can be seen following swiftly from the failure of any really effective readjustment of wage and price relations when we attempt to move from the condition artificially built up during the past 20 years to one of really self-sustained domestic prosperity within a structure of international relations such as devolves upon us by virtue of our position in a world we hope to keep free.

To Do or Not To Do

And now for my brief and categorical listing of things which, in the light of my analysis of the current and developing situation, government should do and those things that it should not do.

(1) It should deflate public overconfidence. General Eisenhower has frankly told the country that there is no quick and easy way of solving the military problems thrust upon us by the Kremlin and inherited from the outgoing Administration. In the same manner, President Eisenhower should make it perfectly clear that no miracle can be performed in the economic sphere; that we shall have to continue to live with and try to live down the results of the government's bad economic policies and practices and, no less, the bad economic policies and practices that private business has indulged in and that many of them will persist in to the extent that they find it possible. It will call for a bit of patience on the part of the public and for some groups to "get their sights down" to reality.

(2) This leads to my second "do." The government should frankly face the basic difficulties which underlie the superficial prosperity that still exists, that will probably persist for six months or a year longer, and that might be nursed along even further by artificial stimulants, ameliorative poultices, or psychiatric deceptions. For the economic grand strategy of the new Administration. I would strongly recommend the slogan, "Seize the nettle, danger." Face all the hard realities at the outset, accept promptly or even accelerate whatever deflation is practically necessary rather than postpone the evil day. Let the "false work" fall while the momentum of military rearmament and business expansion remains strong. Use every legitimate means to damp off an inflationary boom instead of allowing an overconfidence boom to aggravate the last stages of an over-building boom.

(3) Passing from strategy to tactics, the next "do" is "balance the budget." If this process is carried out with business firmness, some plans already approved or even projects already begun will have to be cut back.

(4) Along with "budget balancing," fund the enormous floating debt which hangs over the market into longer-term obligations held by genuine investors, not forced into the banks.

(5) Leave money management to the skilled hands and the objective minds of money technicians, not the political intervention of a pressure-conscious and pressure-responsive Congress.

(6) Decentralize public enterprise. If our economy is to continue full employment and full utilization of plant after the drain of the military build-up abates and as operative economies are effected in both the military and the civilian activities of the Federal Government, there will be a productivity in the form of goods and services which cannot be fully distributed through the channels of private business enterprise. Much of the demand which will evoke this supply expresses itself, in accordance with our oldest traditions, through public agencies. It takes the form of public roads and other transportation facilities, public education, public health and recreation; and a considerable range of protective, conservationist, and other community services. While some of these needs should be planned and executed on a national scale, many of them can be more intelligently and economically administered by state, regional, and local units of government. It is not enough to resist their concentration in Washington. The maintenance of prosperity demands that they be vigorously supported as well as closely supervised from these decentralized centers of public enterprise.

(7) Government should lead a crusade for free market adjustments. The tendency of recent years to rely more on government controls and less on the free functioning of ever-improving private market mechanisms, stands in the way of the quick and flexible adjustments that can be made by the ingenuity and incentive of private enterprise, not by remote control and formula subsidies.

Turning now to things which government should **not** do, if we intend to avoid depression not merely for ourselves in the short run but for America as the responsible leader of a stabilized society of free nations:

(1) It should not continue military expenditures, conservation payments, industrial subsidies, or similar outlays merely for the sake of keeping firms afloat or labor on the payroll. There are enough things that ultimate consumers need and want to keep us fully employed if money flows are established through proper terms of trade.

(2) It should not lower taxes until expenditures have been brought down to the level where no further deficits are piled on top of our present public debt. I believe it would even be a smart thing for business to allow the excess profits tax, bungling though it is, to continue beyond its present expiration date on the theory that competitive pricing or even wise price administration would in the not distant future affect such adjustments that this tax would be no more than a nominal burden on them. Of course revisions to take the legitimate interests of small and new business into account should be made before the law was extended.

(3) Government should not erect protective traiff barriers to shelter domestic business from the competition of other nations of the free world who can buy our own exports, sustain themselves, and play their role in the society of free nations only if given access to as free a market as is practicable in view of legitimately vested interests.

(4) Government should not embark on stockpiling operations to relieve particular groups of producers of the need of finding a permanent supply and demand equilibrium in their respective markets. Stocks already impounded cannot be dumped on the market without disruptive results, but should be made subject to a long range liquidation policy. If the distinctive character of the agricultural industry seems to require market equalization operations, they should be on a sliding-scale of support, with administration removed as far as possible from political pressures.

(5) Last and most important, the Government should not allow itself to be drawn into actual operative functions for the sake of stemming recession or promoting recovery. Public responsibility for the welfare of the economy can be adequately discharged through credit extensions and the judicious payment of direct relief, whereas nationalization of basic industries or intrusion of government into the operative role does not solve the basic economic problems but simply transfers them from the area of market determination to that of political control.

In my closing paragraph I must apologize for my opening paragraph. I overbid my hand. I have not given you nine minutes of definitive analysis, followed by one minute of conclusive solution. I shall hope, however, to have quickened just a little your realization that neither had the outgoing Administration solved the nation's economic problem, nor had the November elections voted it out of existence. Above all, I hope I have deepened your conviction that the role of Government is to make favorable conditions for private business, but should not itself undertake to do the nation's business.

McDougal President of N. Y. Fin. Advertisers

Edward F. McDougal, of the public relations department of Bankers Trust Company was elected President of the New York Financial Advertisers Association at their luncheon session Jan. 28 at the Lawyers Club. He succeeds Richard Meyer, of the "Dow-Jones News Services" and "Wall Street Journal."

Edward F. McDougal

Other officers named were: First Vice-President, Howard J. Carswell, of Guaranty Trust Co.; Second Vice-President, Edwin Goat, Bowery Savings Bank; Secretary, Mrs. Isabelle Murray, of Hudson Advertising Agency; and Treasurer, Robert J. Stiehl, of the American Bankers Association.

Directors elected are: retiring President, Richard Meyer; of C. B. Axford, American Banker; Miss Dorcas Campbell, East River Savings Bank; J. J. Lawlor, National City Bank; Louis Munro, Doremus & Co.; Roland Palmedo, Lehman Bros.; Earl C. Sandmeyer, Chemical Bank & Trust Co.; Quentin Smith, Albert Frank-Guenther Law, Inc.; Clarence L. Stillwill, Ninth Federal Savings & Loan Association; and Bradford Warner, "Fortune Magazine."

Halsey, Stuart Group Offers So. Ry. Equips.

An offering of $3,600,000 Southern Railway series TT 3% equipment trust certificates, maturing semi-annually from Aug. 1, 1953 to Feb. 1, 1968, inclusive, was made on Jan. 30 by an underwriting group headed by Halsey, Stuart & Co. Inc. The certificates, priced to yield from 2.20% to 3.10%, depending on maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The certificates are to be secured by 30 Diesel-electric road switching locomotives estimated to cost not less than $4,680,000.

Other members of the underwriting group are: R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co.; and Gregory & Son, Inc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of the 17 major New York City banks for 1952 showed substantial improvement over the previous year.

All of the annual reports are now available and in most cases the results are encouraging from the standpoint of the stockholder. Of course, all of the banks did not participate in the more favorable operating conditions either because business in their particular fields was depressed or because of special operating problems. However, the general trend was towards a higher level of operating earnings.

For the group as a whole net operating results showed an increase of more than 15% from the level of the previous year. The primary reason for this overall gain was the increase in loan interest.

A high and expanding level of loans combined with firmer interest rates resulted in a sharp expansion in income from this source. Higher interest rates also helped to improve the return on government security holdings. In addition many institutions showed a larger income from miscellaneous sources including service facilities.

Although expenses including wages and taxes continued to increase, the large gain in gross income was more than sufficient to absorb these higher costs. The final result was a substantial gain in net operating earnings.

Security profits, on the other hand, were adversely affected by the rise in interest rates and several banks reported small losses for the year. There was no marked trend, however, as results from such transactions varied from bank to bank. Total earnings were generally higher reflecting the dominant upward trend of operating earnings.

In the tabulation below, the operating earnings, security profits and total earnings of the major New York banks are compared for the past two years.

	Oper. Earnings 1952	Oper. Earnings 1951	Security Profits 1952	Security Profits 1951	Total Earnings 1952	Total Earnings 1951
Bank of Manhattan	$2.52	$2.37	—$0.14	$0.02	$2.38	$2.39
Bank of New York	29.24	25.21	*	*	29.24	25.21
Bankers Trust	3.97	2.95	—0.04	—0.09	3.93	2.86
Chase National	3.77	2.88	—0.29	0.03	3.48	2.91
Chemical Bank	3.96	3.29	0.07	—0.01	4.03	3.28
Corn Exchange	4.71	4.68	*	*	4.71	4.68
†Empire Trust	11.35	9.21	6.92	—3.23	18.27	5.98
First National	22.53	21.69	1.75	2.75	24.28	24.44
Guaranty Trust	21.55	17.66	—0.68	0.05	20.87	17.71
Hanover Bank	7.60	6.53	0.15	0.70	7.75	7.23
Irving Trust	1.63	1.55	0.01	0.01	1.64	1.56
Manufacturers Trust	5.31	4.96	0.16	0.01	5.47	4.97
Morgan, J. P.	20.72	15.92	0.17	—1.99	20.89	13.93
‡National City	3.98	3.51	0.02	0.08	4.00	3.59
New York Trust	8.70	8.09	0.06	—0.08	8.76	8.01
Public National	3.64	4.02	0.23	0.04	3.87	4.06
United States Trust	20.13	17.80	Nil	—0.44	20.13	17.36

*Not reported separately. †Figures of Empire Trust have been adjusted for stock dividends paid in 1951 and 1952 but not for the one to be paid Feb. 13, 1953. ‡Includes City Bank Farmers Trust Company.

Some of the banks to make more favorable showings include Bank of New York, Bankers Trust, Chase National, Chemical Bank, Empire Trust, Guaranty Trust, Hanover Bank, Irving Trust Manufacturers Trust, J. P. Morgan, National City, and U. S. Trust. The other institutions registered only modest gains in operating earnings and in the case of Public National there was actually a decline. Nevertheless, the overall results were very favorable.

The current outlook for operations is viewed as excellent. This was the point of view expressed at many of the bank stockholder meetings over the past month. The current level of earnings should at least be maintained and there is some expectation of a general 5%-10% increase in operating results for the year.

This feeling is supported by an existing high level of loans. The loan total at the end of 1952 was considerably above a year ago, so that unless there is a greater than usual seasonal decline, the outstanding loan total will average higher than in 1952.

Then as the full impact of the higher interest rates has not been reflected in operations, there should be a further improvement in the rate of return.

Thus, it is expected that the upward trend in net operating earnings will continue into the current year.

Wm. R. Staats Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Richard C. Huber has become affiliated with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

M. H. Reisdorf Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif. M. H. Reisdorf is engaging in a securities business from offices at 7958 Beverly Boulevard.

Public Utility Securities

By OWEN ELY

Ohio Edison Company

Ohio Edison, with annual system revenues of over $100 million, serves an area of 8,057 square miles in Ohio, while its subsidiary, Pennsylvania Power Company, serves 1,394 square miles in the adjoining state. The population served by both companies approximates 1,813,000. The territory served by Ohio Edison extends to within 8 miles of the city limits of Cleveland; the largest cities it serves are Akron (274,000), Youngstown (168,000) and Springfield (78,000).

The service is almost entirely electric, with a small amount of heating sales and miscellaneous. Electric revenues are 35% residential and rural, 22% commercial, 37% industrial and 6% miscellaneous. Residential sales in the 12 months ended Dec. 31 gained nearly 11% over the previous year, while industrial sales (probably due to the steel strike) gained less than 2%. The principal sources of industrial revenues in 1951 were as follows: iron and steel 19%, machinery and metal products 47%, rubber 11%, and chemicals 6%, with a large number of diversified industries contributing the balance.

Residential usage of electricity for the Ohio Edison System is 2,673 kwh. per annum compared with the national average around 2,175 kwh. The average residential revenue per kwh. is 2.68c compared with the estimated national figure of 2.76c. Both figures have declined steadily for over a decade.

According to a data-book prepared for security dealers recently, market statistics on the common stock have been as follows for recent years:

	Share Earnings	Last Sales Price, End of Period	Price-Earnings Ratio	Dividend	Yield %	—Price Range— High	Low
1946	$2.92	35	11.99	$2.00	5.71	41¾	30¾
1947	3.15	28⅝	9.09	2.00	6.99	38	27
1948	2.80	27½	9.82	2.00	7.27	34½	26½
*1949	2.95	32⅛	10.89	2.00	6.23	33	27½
1950	2.98	30⅜	10.19	2.00	6.58	35⅛	28¼
1951	2.60	33⅜	12.84	2.00	5.99	33½	30⅛
1952	2.97	38⅝	13.01	†2.20	5.70	39½	33⅛

*After giving effect to merger of The Ohio Public Service Co. into Ohio Edison Co., effective May 1, 1950. †Annual rate indicated by increase in quarterly dividend in December, 1952.

Ohio Edison has had to pay increasing prices for coal, particularly in the period 1942-1949 when the average price increased from $2.79 to $5.19 a ton; since that year the price has dropped to around $4.78.

Ohio Edison recently sold 150,000 shares of new preferred stock and about 480,000 shares of common stock. On a pro forma basis the consolidated capital structure is estimated as follows:

1st Mortgage Bonds	$147,000,000	42%
Preferred Stock	72,000,000	21
Common Stock Equity (5,278,000 shares)	129,000,000	37
	$348,000,000	100%

On Aug. 31, 1944 Ohio Edison Company had an equity ratio of only about 19%; after acquisition of Pennsylvania Power shortly thereafter, the consolidated ratio was nearly 21%. Through plowback of earnings and several sales of common stock on a favorable basis, the pro forma equity ratio has now been increased to 37% —a remarkable accomplishment.

System construction expenditures in the postwar period have been as follows:

1946	$10,566,557	1950	$19,146,040
1947	21,995,166	1951	28,869,914
1948	36,826,414	1952	41,748,255
1949	37,902,001	1953 (Est.)	59,199,900

The money raised by the recent financing is expected to provide for construction funds in 1953 but there may be some additional financing late this year or early next year. Cash resulting from accelerated depreciation can be used for construction purposes but will not be used to increase net income.

Earnings for the calendar year 1952 were $2.97 a share which would be reduced to $2.68 on a pro forma basis (allowing for the increased number of common shares) for the increase in preferred dividend requirements and for the change in EPT.

Milwaukee Bond Club Annual Meeting

MILWAUKEE, Wis. — The annual meeting and election of officers of the Milwaukee Bond Club will be held Friday evening, Feb. 13, 1953, at the East Room of the Schroeder Hotel. A cocktail party for out-of-town guests will be given at the Milwaukee Club at 5 p.m. Tariff $10 for out-of-town guests.

The Board of Governors appointed the following Nominating Committee to name a ticket for the coming year: W. G. Bingham, Bingham-Sheldon & Co.; Charles Givan, Gardner F. Dalton & Co.; Herbert Wolff, A. C. Allyn & Co.; Brenton Rupple, Robert W. Baird & Co.; and Otto Koch, The Marshall Company.

The Nominating Committee has reported the following nominees: President: J. P. Lewis, J. P. Lewis & Co.

Vice-President: G. M. Vonier, Paine, Webber, Jackson & Curtis.

Board of Governors: Otto J. Koch, Jr., The Marshall Company; Lyle W. Hamann, Central Republic Co.; Ralph Rada, Rada, McEliheney & Morack; Miles C. Reinke, Robert W. Baird & Company; N. S. MacRury, Merrill Lynch, Pierce, Fenner & Beane; and Carl G. Hausmann, The Milwaukee Company.

With Waddell & Reed

(Special to The Financial Chronicle)

DETROIT, Mich. — Fredric F. Busch is with Waddell & Reed, Inc., of Kansas City.

With J. H. Jordan Co.

(Special to The Financial Chronicle)

RIVERSIDE, Calif. — John G. Jordan has joined the staff of The James H. Jordan Company, 3691 Main Street. He was formerly with Sutro & Co.

Record Mutual Savings Deposits in 1952

Deposits increased $1.7 billion, or over 8%, to reach a new high of $22,603 million at year's end. Reduced mortgage purchases by savings banks reflect decline in construction.

According to Robert M. Catharine, President of the National Association of Mutual Savings Banks and President, Dollar Savings Bank of the City of New York, deposits in the nation's 529 mutual savings banks increased $1,703,000,000, or 8.1%, during 1952, to reach a new high of $22,603,000,000 at the year-end. This compares with a rise of $876,000,000, or 4.4% in 1951, and is the largest yearly increase in deposits since 1945 and the second highest annual gain in their 137 year history.

Robert M. Catharine

In commenting on the report, Mr. Catharine said: "The increased share of current high level earnings of the American people that is going into savings is helping to check inflationary forces in our economy. In contributing to this result, many thousands of families are also building a strong personal defense against future contingencies."

The greater deposit gain in 1952, as compared with 1951, reflects the fact that amounts deposited in regular accounts were 12.4% higher in 1952 and withdrawals only 0.3% greater than in 1951. Despite the widespread increase in the rate of interest-dividends paid, 71% of the gain in regular deposits in 1952 represented new money received from depositors, in contrast to interest-dividends credited to their accounts. In 1951 the proportion was less than three-fifths.

The gain in regular deposits of $333,000,000 in December was well above the increase of $246,000,000 in December, 1951, thus continuing the favorable record of the preceding months of the year.

A gain of $1,500,000,000 in mortgage loans featured savings banks' portfolio operations during 1952. Mortgage holdings now total $11.2 billion, or 44.4% of assets, as compared with 41.5% on Jan. 1, 1952. During the year, holdings of U. S. Government securities declined $400,000,000, or from 41.8% of assets to 37.3%. Meanwhile, holdings of corporate and municipal securities increased $638,000,000 and cash rose $26,000,000.

The December gain in mortgage holdings was $159,000,000, in contrast to $171,000,000 a year earlier and $113,000,000 in November, 1952. Reflecting lessened construction activity, 1952 monthly gains fell below those of the same month of 1951 except for September and October. Holdings of U. S. Government obligations declined in every month of 1952 except January and July. Total governments fell off $52,000,000 in December, in contrast to a decline of $74,000,000 in November and a drop of $27,000,000 in December, 1951. Except in August and October, the monthly decline in holdings of U. S. Governments was less than during the corresponding month of 1951.

Criticizes UN's Action on Nationalization

"The Guaranty Survey," published by the Guaranty Trust Company of New York, says it ignores sanctity of contracts and principles of international law, and also ignores rights of private investors.

The current issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, in an editorial article, captioned "Nationalization and Foreign Investment," sharply criticizes the United Nations General Assembly because of its adoption of a resolution approving nationalization of economic resources by member states.

"The resolution does not contain a word in defense of private enterprise," "The Guaranty Survey," states. "It does not mention the rights of private investors who have risked their savings in the development of such resources. It says nothing about the sanctity of contracts or the long-established principles of international law. It deprecates any action by a member state to uphold the rights of its nationals against the confiscation of investments made in good faith.

"It is unfortunate that this action has come at a time when the need for large-scale international investment and the obstacles to it are exceptionally great. Ever since World War II it has been apparent that many underdeveloped countries are eager to raise their standards of living by expanding and modernizing their economies. To promote this aim the United States initiated what has become known as the Point Four program of technical assistance to underdeveloped areas.

"It was evident from the beginning that technical assistance could be made fully effective only by substantial foreign investment," continued "The Guaranty Survey." "Modern productive equipment, as well as 'know-how,' was needed. Almost alone among the advanced industrial nations, the United States was in a position to supply such equipment in large quantities.

"Throughout history, economic enterprise has involved the use of credit. For countries with little industrial equipment and low productive capacity, this means foreign credit. Only with the aid of foreign capital and foreign technical knowledge can progress be achieved with reasonable rapidity.

"The economic development of the United States took place in this way. Beginning in colonial times and extending through the 19th century, large amounts of foreign capital were invested here. Only within the last 40 years has the United States emerged from the status of debtor nation. Now the situation is, to some extent, reversed.

"Capital flows to borrowers with acceptable credit standing. Investors require a fair opportunity to earn a profit, and the right to bring the profit home. They need a politico-economic climate in which contracts are performed and private rights are respected."

The effect of the resolution adopted by the United Nations General Assembly must be to make worse an international investment climate that is already bad, "The Survey" concludes. The chief victims of this ill-advised action will be the economically retarded countries that voted for it, declared the bank publication.

Bache & Co. Admit New Partners

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, announced the admission of two new general partners and two new limited partners. The new general partners are Charles D. Halsey, who will serve as an administrative partner in the firm's New York headquarters, and Robert L. Raclin, who will be in charge of commodities in the Chicago office.

Charles D. Halsey

Mr. Halsey has had 28 years of experience in Wall Street and was a governor of the New York Curb Exchange (which recently became the American Stock Exchange) from 1941 to 1947. He has been Chairman of the board of trustees — New York Medical College, Flower & Fifth Avenue Hospitals since 1926, and since 1950 he has held the posts of President of the United Hospital Fund of New York; Vice-President and director of the Greater New York Fund, and director of the Hospital Council.

Mr. Raclin is a member of the Chicago Board of Trade and has had a number of years of experience in commodity transactions.

The two new limited partners of Bache & Co. are Marvin J. Silberman, of New York, who is a director of Consolidated Cigar Corporation and President and director of 1350 Broadway Realty Corporation and other realty enterprise, and Harold C. Price, industrialist of Tulsa and Bartlesville, Okla.

FHL Banks to Redeem $142,050,000 Notes

The Federal Home Loan Banks announced through Everett Smith, fiscal agent, that two issues of the Bank's consolidated notes totaling $142,050,000 principal amount which mature on Feb. 16, 1953 will be redeemed from current resources. The issues are $75,400,000 of 2% series A-1953 consolidated notes dated May 15, 1952, and $66,650,000 of 2% series B-1953 consolidated notes dated June 13, 1952. Principal and interest will be payable at any Federal Reserve Bank or branch. Upon redemption of the issues outstanding consolidated obligations of the Banks will have been reduced to $306,500,000 from $448,550,000 now outstanding.

Payment of the Feb. 16 maturities without the necessity of refunding reflects a strong inflow of cash into the Banks during January, Mr. Smith said. Loan repayments by member institutions during the month, he stated exceeded $180,000,000.

Consolidated statements of the Federal Home Loan Banks for the year ended Dec. 31, 1952, issued for publication today, showed a net income of $8,625,076 for the year compared with $6,295,149 for 1951. Dividend declarations to stockholders of record on Dec. 31, 1952 totaled $3,423,000.

Assets of the Banks at the 1952 year-end totaled $1,221,702,022 compared with $1,095,275,649 a year earlier.

William H. Radigan

William H. Radigan, partner in Morgan Davis & Co., New York City, passed away on January 22.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you watch the various averages, particularly the Dow-Jones, you know by this time that the rails went up about 3½ points and the industrials about 3 points. This advance has brought about a change in the mass thinking of potential buyers and holders of stocks.

* * *

So far this hasn't gone beyond sentiment. The chances are, however, that if the gain is held or added to, this sentiment will be replaced by action and new buyers will start coming in.

* * *

I point out the foregoing not as a fact but as a possibility. Hope, fear and avarice always play a major role in the buying and selling of stocks.

* * *

The rails apparently now seem to be the favorite babies. Talk of split-ups in that group is now becoming quite common. For some reason I've never been able to understand, a split-up is always considered bullish by the public. I might as well tell you now that I don't share that belief. Getting two of a thing worth half the price of the original never seemed to me the ideal way to make money.

* * *

However, be that as it may, the belief is there and it is strong enough to have an influence on the price structure of the stock in question. Whether its influence is long lasting is something else again. I don't have time to look up past records but I doubt if split-ups in the long run have added much to stockholders' pocketbooks.

* * *

Last week I said in this space that the action pointed to a rally. Well, it happened which was quite nice. If for no other reason it gives the writer a chance to take a series of low bows. Of course, anybody taking bows also has to be on guard against anybody creeping up behind with undignified, and disastrous, results. So having talked about a rally last week, I'll depart hastily and return to the sidelines.

* * *

Just for the sake of keeping the pot boiling, I'd like to mention in passing that the making of new highs in any average (or new lows) no longer is indicative of any immediate move in the direction of either the new high or the new low. There are probably many reasons for this but going into them at this time will merely confuse you. I merely throw this out to put you on your guard in case the rails and the industrials make a new high.

* * *

Basically you buy stocks; not averages. Latter are merely handy tools to keep around; they're even conversation gambits. When you call the broker's office to ask what the market did, you're told "the averages went up (or down) so much." After that's out of the way, you ask about your specific stock. Frequently you learn that though the averages went one way you stock went another.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Railroad Securities

Southern Railway

The financial community had a pleasant surprise last week. It had been taken for granted that the Southern Railway dividend would be increased fairly soon. Earnings were expanding rapidly, financial condition is strong, the company has made substantial progress in arranging for the 1956 bond maturities, and the capital improvement and equipment programs are well along and should be less of a cash drain from here on. Thus, the company can well afford to be more liberal with its stockholders. The surprise came in the decision of the directors to split the stock two-for-one. There had been no earlier talk or rumors of such a possibility. The extent of this surprise was obvious in the six-spurt in the price of the common.

The 1952 earnings results that were released at the same time were also better than had been expected. Earlier official estimates had placed probable 1952 earnings at between $15.00 and $16.00 a common share. Last Tuesday, it was announced that actual earnings had come to $19.13 a share. At the time of this writing, no breakdown of December results is yet available, but earnings of just short of $4.90 for the single month would indicate the likelihood that some extraordinary adjustment must have been included. Be that as it may, the earnings reported represented the best results for any period since the war peak in 1942. Even the new dividend rate of $5.00 annually represents only a modest fraction of the available net.

Most railroad analysts look forward with confidence to even better things from Southern in the way of earnings in the current year. For one thing, the traffic outlook appears quite bright. Secondly, prospects favor a continuing improvement in operating efficiency and a consequent widening of the profit margin, at least before Federal income taxes. Finally, with retirement a large block of bonds through tender operations, fixed charges will be lower and a sizable tax saving should be realized. Thus barring an unexpected and sharp business recession, or important strikes in industries along the line, it seems entirely possible that in 1953 the company might be able to come up with earnings comparing favorably with the wartime peak of $23.41 realized in 1942.

It is not only the immediate picture that is so promising—Southern's long-term prospects are also considered highly favorable. The lines of the System give extensive coverage to practically the entire southeastern section of the country. This territory has been characterized for years by rapid and extensive industrial growth. With its many natural advantages there is every reason to believe that this trend has not even yet run its full course—certainly it has continued apace in the years since the end of World War II. Such indicated further future growth can not help but enhance Southern's traffic potential.

Southern Railway has gone in heavily for dieselization. With delivery of units now on order (scheduled for delivery during the next couple of months) all operations will be virtually 100% dieselized. As this part of the improvement program has neared completion the management has turned its attention to the yard and terminal problems. Modernization of the Knoxville yard was completed in 1951 and the new push-button yard of the Alabama Great Southern at Birmingham was put in operation last September. The economies expected from the latter have not even yet been fully realized. Other projects are now being planned. Further streamlining and mechanization of maintenance practices is also planned. It can be seen that the possibilities for operating economies have by no means been exhausted.

The breakdown of expenses for the full year is not yet available. Indicative of what has been accomplished, however, is the cut of more than four points, to 70.4%, in the operating ratio for the 11 months through November. The most impressive part of this showing was the dip of 2.2 points in the transportation ratio to 32.9%. As recently as 1949 it had been running above 38%. At the present level of revenues each point shaved off these ratios is equivalent to a little more than $1.00 a share, after Federal income taxes.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late I. Chalmers Wood to Henry W. Sage will be considered by the Exchange on February 11.

Transfer of the Exchange membership of the late Henry W. Buckley to Samuel H. Robinson will be considered by the Exchange on February 11.

Richard S. Barnes, member of the Exchange retired from partnership in Brinton & Company on January 31.

John J. Neff, member of the Exchange withdrew from partnership in Francis I. du Pont & Co. on January 31.

Robert S. Gordon, general partner in Tobey & Kirk, became a limited partner February 1.

Shirley Houghton, general partner in Dean Witter & Co., became a limited partner February 1.

Four With Waddell Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Albert H. Burt, Loraine J. McWilliams, Wanda Montwid, and Albert I. Peterson have joined the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 5—Part 1)

"The Right Way to Follow Up Leads"

After you have received inquiries from your advertising, your procedure is to begin a systematic campaign of following up every lead that you have acquired. Time and again I have seen collections of leads and inquiries lay around an office only to gather dust and finally end up in the waste basket. It is a mistake to start out on any advertising campaign without a full cooperation of the entire sales organization to carry it through. There is nothing more harmful to sales morale than to start something and then let it die on the vine. If you have leads follow them. If your salesmen don't follow your leads why advertise (except institutionally)? I would not pamper any salesman one minute who refused to go along on a sensible planned campaign. Those who cooperated would get the leads and the others would not. The only way to do a job is to make it a team job. Enthusiasm and cooperation are the handmaidens of a successful sales organization.

There Are Only so Many Sales in Every One Hundred Leads

You will remember that we separated security buyers into three major groups: (1) The curiosity seekers who waste your time; (2) those who buy special situations and who will not adopt a planned investment program; and (3) those who wish to invest. All the talk about salesmanship that goes on into rhapsodies about the super salesman who can sell anybody is, in my opinion, only written by people who wish to sell books. There are just so many sales in every one hundred leads. There are only 13 spades in a deck and no more than four aces. Your advertising has created interest. It is up to your salesmen to find the aces. And right here is where many good salesmen fall down. They try to sell everybody. They waste their fine talents and their years of accumulated "know how" on the "jokers." They try to hatch the china eggs. So they work on unprofitable accounts—they try to sell the "number ones"—they offer uninhibited service to the "number two's" who may someday give them a small order, and if they are lucky they hit an "ace" once in a while.

But the salesman with "know how" takes the direct road to the bigger and more profitable account in "group 3." He tosses out the deadheads. He reports back to his office on the curiosity seekers and those who only want something for nothing—whether it be statistical reports or an opportunity to absorb information that you have expensively and laboriously compiled. And those leads go into a dead file that is checked against future advertising returns, so that the next time these repeaters show up, another good salesman doesn't waste his time traveling out to the edge of town to see that same "free rider" and go over the whole performance with him once again.

Look for the good "number two" prospects and the "number threes" and when you find them give them more of your time and the best attention and service which you are capable of rendering. I would rather acquire but fifty real good accounts after an intensive sales effort along the lines I have been suggesting here, than clutter up my books with hundreds of time wasters and fly-by-night bargain hunters. The investment business needs customers who will buy securities for income and long-term capital gain, not people who look upon the acquisition of securities in the same light as they do the picking of a horse at the race-track. Find the investors—let the other fellow be the hero and waste his time trying to be a star salesman—hit the "soft spots"—qualify your prospects—remember you are in a business and you can only do well if you have good customers. The best salesman is the man who can find the best customers — customers are more important than your sales ability—find them!

Next week's column will deal with the right way to arrange an appointment over the telephone.

Clifford L. Hey With Paine, Webber Firm

Clifford Hey

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Clifford L. Hey has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Hey was formerly with First California Company and Nelson Douglass & Company.

Managed Investment Programs Formed

SAN FRANCISCO, Calif.—Managed Investment Programs has been formed with offices at 41 Sutter Street, to engage in the securities business. Principal of the firm is Nathaniel S. Chadwick. Mr. Chadwick has recently been associated with E. F. Hutton & Company in San Francisco and in the past was an officer of National Securities & Research Corporation.

Kocher Over-Counter Trader for Paine, Webber

MILWAUKEE, Wis.—Glen H. Kocher has been appointed trader of over-the-counter securities for the Milwaukee office of Paine, Webber, Jackson & Curtis, it has been announced by William Wegner, resident partner of the Milwaukee office.

Mr. Kocher, who started his business career with the old North Avenue State Bank in 1927, joined Paine, Webber, Jackson & Curtis in 1936 as a bookkeeper, and except for 2½ years of military service in World War II, he has been with the firm since that date.

Royal Bank Appoints

The Royal Bank of Canada has announced the appointment of Frank E. Case as Supervisor of Investments. Mr. Case has been with The Royal Bank of Canada since 1928.

With Vilas & Hickey

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, announce that Alfred J. McArdle is now associated with the firm.

Mutual Funds

By ROBERT R. RICH

FROM THE BANK HOLIDAY in 1933 to the hydrogen bomb in 1952 is the eventful period covered by Fundamental Investors' Twentieth Anniversary Report to shareholders, published Wednesday.

Fundamental Investors' shares, worth $6.06 on the day the Fund first opened for business on Jan. 3, 1933, had a value of $20.58 at the year-end in 1952 even though security profits of $6.06 per share—an amount exactly equal to the original value of the shares—had been distributed to shareholders in the interim. Total capital increase in the two decades was 342%. The year 1952 contributed to this record. Net asset value per share rose from $19.55 at the beginning of the year to $20.58 at the end. Adjusted for 46 cents per share security profits distributed during the year the total gain in the value for the 12 months was 7.6%.

Income dividends, paid without interruption during the 20 years totalled $8.394 per share, or 138% of the beginning share value. Annual dividends paid from income in the first year of operation were less than 10 cents per share. By the fifth year income dividends had climbed to 37 cents per share; by the tenth, 40 cents; the fifteenth, 49 cents. In 1952—the twentieth year of operation—the Fund paid 90 cents per share in income.

During that time this mutual fund grew from $100,000 to $150,947,014 in assets, to become one of the largest common stock funds in the country — a mutual fund now owned by more than 41,000 individuals, estates, corporations and institutions.

"Now, as in 1933," says the report, "the vitality of American free enterprise and the vigor of our capitalistic system depend on the willingness of investors to take risks, not knowing what their rewards will be—without assurance of profit or guarantee against loss. Each shareholder of Fundamental Investors has taken that risk. . . . Now, as in 1933, the reward sought for shareholders by management of Fundamental Investors is increase of capital and income — not speculative profit, but the long-term gain in value that can be the reward of careful selection and prudent management of common stock investments."

Citing the changes that have taken place in the years of the Fund's life, the report goes on to say, "The extent to which conditions and demands for products changed during those two decades gives ample proof that no individual common stock can . . . chameleon-like, change to suit the economic coloring of the time. Continual supervision will prove necessary in the years to come as it has since 1933." In the 20 years Fundamental Investors, has held at one time or another, investments in more than 400 different common stocks, bonds or preferred stocks. Assets at Dec. 31, 1952 were spread among 115 common stocks of companies in more than 20 different industries.

At the 1952 year-end Fundamental Investors, Inc. was 97.9% invested in common stocks. Commenting on the management's appraisal of business in 1953, the report states, "Today we are still in a war-like economy and must currently seek investment opportunities in that atmosphere. . . . No matter what action the new Administration in Washington may take, appropriations for military expenditures for the current year have already been made. Their force will continue to be felt in the business world; will result in continued high activity in certain industries; will benefit both employment and income. . . . But, as the year 1953 goes on, unless international developments become more critical, defense spending is likely to level off. Resulting declines in sales and pre-tax earnings of some companies will be partly or wholly offset if the expiration of the excess profits tax takes place on June 30, 1953. . . . Many corporations, including some not affected by the excess profits tax, could benefit substantially by the expiration of price controls, now set for April 30, 1953."

A word of caution was sounded, however, in the observation that, "Competition for the consumer's dollar is becoming more intense. Civilian production in general has kept pace with demand despite the acceleration of the defense program. The administration of . . . investments in this atmosphere, under these conditions, will require a high degree of discrimination."

Largest investment holdings of the Fund at the 1952 year-end were in common stocks of companies in the petroleum, utilities and railroad industries. These industries now account for 35.2% of total assets of the Fund. During the year important increases were made in common stockholdings in companies in the electronics, automobile and natural gas industries.

Securities added to holdings in the 12 months ended Dec. 31, 1952 include American Stores Corp.; American Tobacco Co.; Columbus & Southern Ohio Electric Co.; Florida Power Corp.; Gulf States Utilities Co.; General Public Utilities Corp.; International Petroleum Co., Ltd.; Lily-Tulip Cup Corp.; P. Lorillard Co.; Merck & Co., Inc.; Mission Development Co.; Motorola, Inc.; Niagara Mohawk Power Corp.; Owens-Corning Fiberglas Corp.; R. J. Reynolds Tobacco Co. "B"; Shamrock Oil & Gas Corp.; South Carolina Electric & Gas Co.; Southern California Edison Co.; Southern Natural Gas Co.; Standard Oil of California; Studebaker Corp.; Texas Co.; Texas Pacific Land Trust, and Texas Utilities Co. stocks.

Securities eliminated from the Fund's holdings during 1952 included Atlantic Refining Co.; American Telephone & Telegraph Co.; Commercial Credit Co.; Consolidated Edison of New York, Inc.; Denver & Rio Grande Western RR. Co.; Electric Bond & Share Corp.; Fireman's Insurance Co. of Newark, Humble Oil & Refining Co.; International Business Machines Corp.; Jones & Laughlin Steel Corp.; Mission Development Co.; Noranda Mines, Ltd.; Safeway Stores, Inc.; United Aircraft Corp., and United States Steel Corp.—all common stocks. In addition, the Fund's holdings in El Paso Natural Gas Co. $4.40 preferred stock were converted into common stock of the same company and its interest in the preferred stocks of Standard Gas & Electric Co. were disposed of, as were bondholdings in Missouri Pacific RR. Co. and the St. Louis, San Francisco Ry. Co.

TAX CUTS this year are still a definite possibility despite the Administration's reluctance to reduce revenues before determining the extent to which expenditures can be reduced, according to National Securities & Research Corporation, sponsor and manager of a group of mutual investment funds.

Following a special staff meeting called to consider the economic implications of President Eisenhower's State of the Union Message the investment organization's Chairman, Henry J. Simonson, Jr., said the domestic program outlined in the speech was encouraging to business. Removal of wage, price and material controls should be helpful to many industries, he said. Above all, he added, the Message clearly reaffirmed the principle that competitive enterprise and individual initiative are not only compatible with our international commitments but are actually the nation's chief sources of strength.

The President's remarks on fiscal policy and the debt management program should reassure the security markets, the research staff noted, as emphasis was placed on caution in implementing the new program. Action must be gradual, the President said. If the Treasury's program of pushing out debt maturities were to be carried out hastily it could have a dangerously unsettling effect on the bond market. In this connection, the Message's assurance of Treasury-Federal Reserve cooperation to achieve stable economic conditions was regarded as a favorable development.

Discussing the staff's tax forecast, Mr. Simonson said a Congressional tax-cutting drive in response to popular pressure has already gained too much momentum to be stopped by anything short of the most determined opposition by the Administration, and such opposition does not appear to be forthcoming. President Eisenhower's remarks about "bringing the budget under control" did not specifically exclude the possibility of some tax cuts before the budget is actually balanced. Although the Excess Profits Tax was not mentioned there were passages in the speech that suggested the Administration was not too fond of this particular levy and would not stand in the way if Congress allowed it to expire next June 30. Mr. Simonson cautioned, however, that the President's fiscal views are still fluid and therefore subject to change in the months ahead. Funds supervised by National Securities & Research Corporation totaled $122,948,000 as of Jan. 31, 1953.

COMMON STOCKS have not yet fully reflected the election of Dwight Eisenhower, W. Linton Nelson, President, said in the Delaware Fund annual report for 1952 transmitted to shareholders Tuesday.

At the same time Mr. Nelson made the point that common stocks, although higher than they were, are still the best long-term investment medium available in the country at the present time. "If national fiscal policy during the coming year," he went on, "should be to abandon the philosophy of low interest rates originally borrowed from Britain, and let interest rates rise to more realistic levels we could very well experience a decline in the prices of fixed income securities. We feel, therefore," he continued, "it is still not a good time to switch from a good income producing common stocks to bonds and preferred stocks."

The fund recorded a $3.2 million increase in net assets during 1952 to boost the total at the year-end to an all-time high of $15,135,481 as compared with $11,927,240 on Dec. 31, 1951.

Total net assets were equal on Dec. 31, 1952, to $17.14 a share on the 882,764 shares outstanding as compared with $16.64 a share on 716,827 shares outstanding a year previously.

The report showed investments diversified among 81 different securities in 31 industries with 87.49% of net assets invested in common stocks; 10.2% in preferred stocks, mostly convertibles; and the remainder in cash.

Among the principal industry groups represented in the common stock holdings the largest in railroads amounted to 9.88% of net assets. Other of the larger groups included electric utilities, 8.89%; oils, 7.97%; electrical equipment, 6.63%; aviation, 6,28%; building, 6.85%; food, 4.46%; beverage, [illegible]%; and automobile, 3.26%.

The Fund closed 1952 with 6,031 shareholders, largest number in its history.

JOHN A. MUNRO, Vice-President in charge of the economic and investment department of the National Securities and Research Corporation, said last Sunday that "retail trade in 1952 is estimated to show an increase of about $6 billion over 1951 levels—a new high."

Speaking on the radio program "Your Money At Work" over WOR, Mr. Munro said that "since 1945, retail trade sales have increased $80 billion to a level in 1951 of $158 billion, a rise of some 103% during the last six years."

Briefly defining the broad range of retail goods in the durable and non-durable categories, Mr. Munro tempered the basic dependents of retail trade, personal and disposable income, with the intangible but important factor of "customer urge." He explained this element by saying that "if people don't feel like buying they will save even in times of high income levels, like today, when there may be periods when the public just stays out of the stores."

Accrediting retail trade as a barometer and vital segment of our economy, Mr. Munro projected 1953 sales, on the basis of income levels, to "about $170 billion, another new high, with the largest increases occurring in the automotive and food groups." Milton Fox-Martin, Kidder, Peabody's Central Mutual Fund Department's Manager, was moderator of the program.

THIS YEAR will mark the debut of scores of new TV stations according to the January bulletin, "Keeping Up," published by Television Shares Management Company which reports that in the four weeks to Jan. 14 the FCC has granted 42 more construction permits for new stations. This is at a rate of better than 10 a week. The bulletin contains a map of the United States showing

the TV stations authorized in the past six months.

KIDDER, Peabody & Company, members of the New York Stock Exchange, have instituted mutual fund participating announcements on the Barbara Welles and Skitch Henderson programs. The announcements, which started Monday, augment Kidder, Peabody's sponsored program on Sundays, "Your Money At Work."

Announcing the expansion, Milton Fox-Martin, the company's central mutual funds department manager, said that the announcements "constitute another step in our merchandising and promotional program designed to acquaint, by proven methods, a large audience with the benefits derived from a fund investment."

TRUST ASSETS managed in common trust funds of the nation's trust companies have increased in ten years from $60.4 million to over a billion dollars, according to a survey by the magazine, "Trusts and Estates." The corresponding figure for 1951 was $819 million. The reports from the trust companies adding up to the billion dollar total were dated all the way from Jan. 31 to Dec. 31, 1952.

A special study of 66 common trust funds shows the following composite portfolios comparing 1951 with 1952. This group represents both large and small funds, and all parts of the country where funds have been established.

DIVERSIFICATION OF 66 FUNDS

	1951	1952
Govt. Bonds	$184,078,456	$202,981,328
Other Bonds	53,754,293	84,655,478
Pfd. Stocks	69,229,607	82,726,559
Com. Stocks	245,363,942	301,939,341
Other	6,999,057	10,911,300
Total	$559,425,355	$683,214,006

The number of common stock issues held in any one discretionary common trust fund in 1951 varied from 6 to 116, and in 1952 from 17 to 138.

KEYSTONE CUSTODIAN Funds, Inc., an investment company in its 21st year of operations, had combined assets under its supervision of more than $225,000,000 on Dec. 31, 1952, and more than 47,500 shareholders in its 10 Funds. This compares with total combined assets of $213,000,000 a year earlier. Part of the increase in assets during the last year was due to the purchase of new shares in the various Funds, and part was due to market appreciation in the portfolios, especially those of the four common stock Funds.

The emphasis of Keystone investors throughout 1952 was on the Funds with the primary objective of income. More than 73% of the total assets invested in Keystone Funds was in the Low-Priced and Discount Bond Funds, the Income Preferred Stock Fund, and the High-Grade and Income Common Stock Funds. Only 9.5% of the assets was invested in the Speculative Preferred Stock Fund and in the Speculative and Lower-Priced Common Funds. About 17.5% was invested in the Bond Funds "B1" and "B2" for the relative stability and modest income returns.

Since May, 1932, when the first Keystone Fund was publicly offered, this large investment company has made total payments to shareholders from net investment income of more than $87,000,000, and total distributions from realized capital gains of more than $45,000,000.

A $52.2 MILLION increase in total net assets was recorded by Wellington Fund in 1952. The increase, according to the 24th annual report transmitted to stockholders today by Walter L. Morgan, President, boosted net assets at the year-end to a record high of $246,183,017 from $193,930,722 at the close of the preceding year.

Mr. Morgan pointed out that the 1952 report marks the beginning of the Fund's 25th anniversary year. He recalled that Wellington began operations as one of the pioneers in an industry that was then little known to American investors. Today, he said, people everywhere, in all walks of life, own mutual funds; and he estimated that one out of every 10 investors in the United States is a mutual fund shareholder.

Net asset value of Wellington Fund during the year increased to $20.87 a share on the 11,794,699 shares outstanding on December 31, last, from $20.02 a share on the 9,688,245 shares outstanding on Dec. 31, 1951.

The report listed more than 300 securities in the portfolio. These included 37 corporate bonds, 85 preferred stocks, and 184 common stocks. Common stock holdings represented more than 30 different industries and accounted for 64% of total net assets. Of the balance, 25% was invested in high grade bonds and preferreds; 3% in appreciation bonds and preferreds; and 8% in cash and governments.

The report gave this summary of the shifts in common stock holdings during the year: Stocks of companies with favorable long-term prospects and well-established products were increased and some cyclical stocks and others considered less attractive reduced. The cyclical steel and metal stocks were reduced. Some chemical, container, finance and utility stocks were also reduced, having risen to prices that appeared to have discounted their nearby outlook. Natural gas stocks were reduced before the election. Their near-term earnings were considered restricted by recent rate decisions, although their long-term outlook is still promising. The Fund increased growth stocks and issues considered to have good long-term prospects, including the electrical equipment, glass, and paper stocks. The investment in food and soap stocks was substantially increased as their outlook was considered improved. Increases were also made in rail stocks, principally in the eastern railroads. Agricultural machinery stocks were increased because of their attractive yields well covered by current earnings.

The principal new common stock positions in the final half-year included: 15,000 shares American Telephone & Telegraph; 20,000 Chesapeake & Ohio Ry.; 16,000 Corn Products Refining; 40,000 International Harvester; 8,000 McGraw Electric; 17,000 National Biscuit; 25,500 National Dairy; 12,000 Pittsburgh Plate Glass; 18,000 Rayonier, Inc.; and 7,000 Reynolds Tobacco "B."

The principal common stock additions in the last-half of 1952 included: 7,200 shares American Tobacco; 5,000 American Viscose; 3,000 Atchison, Topeka & Santa Fe; 11,000 Celanese Corp.; 10,000 Consolidated Edison of N. Y.; 6,000 Corning Glass Works; 4,400 General Motors; 9,000 Illinois Power; 4,500 Liggett & Myers; 5,000 Procter & Gamble; 10,700 Sharp & Dohme; 25,700 Socony Vacuum; and 11,000 Westinghouse Electric.

TOTAL NET ASSET value of Scudder, Stevens & Clark Fund, Inc. as of Dec. 31, 1952 amounted to $39,617,682, equal to $58.32 per share on the 679,298 shares outstanding on that date, according to the Twenty-fifth Anniversary Annual Report of the Fund issued to stockholders. This compares with asset value of $36,374,316, equivalent to $57.06 on the 637,498 shares outstanding one year earlier.

The overall distribution of assets at the end of 1952 consisted of 52.3% in common stocks, 33% in cash, bonds and preferred stocks of high quality, and 14.7% in bonds and preferred stocks of lower quality.

In the report, which reviews aspects of the mutual funds field, James N. White, President of the Fund, declares: "Twenty - five years ago there was widespread public interest in equities from a trading approach that emphasized short-term capital profits. Today, there is more interest in building future purchasing power from current income to supplement savings, pensions, insurance and social security. Also, an increasing number of investors, new and old alike, are turning to mutual funds as a suitable medium for adding equity investments to implement such long-range programs."

In 1928 when the Fund was organized as the pioneer "no load" fund of the "balanced" type, the open-end investment company or mutual fund was in the early stages of development, Mr. White observed. In fact, he said, "the value of all such companies then in existence totalled little more than assets now comprising the Scudder, Stevens & Clark Fund." This is in sharp contrast to the size and importance today of mutual funds, whose assets of about $4 billion comprise 80% — as against less than 5% in 1928—of the assets of all management investment companies.

NET ASSETS of Broad Street Investing Corp. increased in 1952 to $31,020,634, the highest level ever attained by this 23-year-old mutual fund. This record figure represents a 27.9% gain over the 1951 year-end total of $24,250,467 and a gain of about 250% for the seven postwar years since 1945. Further indication of the mutual fund's growth is found in the statement by Francis F. Randolph, Chairman of the Board and President, that 7,726 investors held 1,358,434 shares at year-end, as against 5,950 shareholders owning 1,123,876 shares the year before.

According to the report, Broad Street Investing, which emphasizes income as an investment objective, paid $1.10 per share in dividends from investment income for 1952, maintaining the peak level reached in 1950. Dividend income for shareholders who have reinvested distributions from gain on investments was 3.4% greater for 1952 than for 1951, and 6.5% greater than for 1950.

The asset value of Broad Street Investing shares gained in 1952 to $22.83 at the year-end from the previous year's $21.57, despite a 45-cent year-end distribution from gain on investments. With this distribution added back, the increase in per share asset value amounted to 7.9%.

According to the report, Broad Street Investing made no material change in investment position in 1952, and at the year-end common stock risks again made up about 90% of net assets. This relative position has been maintained through generally rising markets for more than three years, and no major change is now planned, the report added. In 1952, the automobile industry and a particular situation in the coal industry were newly represented, and public utility holdings were increased. In all, ten new securities were added and eleven deleted from the portfolio. In keeping with a longer-range viewpoint on the economic situation, securities that might add defensive strength to the portfolio were favored, although an effort also was made to take advantage of unusual opportunities for income and capital appreciation.

In the fourth quarter of 1952, 20 common stockholdings were increased. Among these were American Natural Gas, raised to 10,000 shares, Borg-Warner to 5,000, Cincinnati Milling Machine to 10,000, Detroit Steel Products to 16,300, Maytag to 20,000, National Lead to 13,000, and Pacific Gas & Electric to 21,700. Eliminations from the portfolio included 1,200 shares of Atlantic City Electric, 3,000 of Best & Co., 10,000 of Brooklyn Union Gas, and 7,300 of United Gas. The year-end holdings were led by oil stocks valued at $6,225,600, with public utility stocks valued at $5,496,963 second in importance.

TOTAL NET ASSETS of The George Putnam Fund of Boston at the end of its 15th year, on Dec. 31, 1952, were at a record high of $61,492,000 compared with $51,702,000 a year ago. This increase of nearly $10,000,000 was the largest for any year in the history of the Fund.

New records were also established in value of the shares and number of shareholders, now in excess of 21,500. The net asset value at year-end was $19.12 on 3,215,833 shares, compared with $18.41 on 2,808,452 shares at the same time last year.

During 1952 the Fund paid to shareholders $2,291,380 in dividends from investment income and $1,595,356 in distributions of realized gains. Investments of the Fund at year-end had a market value of $11,435,835 in excess of cost.

NET ASSET VALUE of Shareholders' Trust of Boston at Dec. 31, 1952 was $26.85 per share and total shares outstanding were 325,680 making total net assets of $8,744,788 for the year, a gain of $1,911,472 over the previous 12 months, the annual report to shareholders disclosed Monday. On Dec. 31, 1951, the net asset value per share was $25.90 and total shares outstanding were 263,787.

During 1952 dividends of $1.17 per share were paid from net investment income, and 46 cents per share was distributed from net capital gains. In the preceding 12 months, dividends of $1.21 per share were paid from net investment income, and 58 cents per share was distributed from net capital gains.

The portfolio of Shareholders' Trust of Boston, at market values on Dec. 31, 1952, consisted of 66.9% of common stocks; 11.9% of preferred stocks and 15.6% of corporate bonds. Of the total amount of common stocks held at the close of last year, equities of industrial corporations represented 42.9%, shares of public utilities, 14.4%, railroads, 6% and insurance and finance companies 3.6%.

NET ASSETS of Wall Street Investing Corporation as of Dec. 31, 1952 amounted to $3,743,476 equal to $14.66 a share, compared with $3,158,894 or $13.27 a share a year earlier, according to the annual report for 1952.

The fund's holdings of common stocks comprised 79.1% of net assets while holdings of cash and U. S. Government securities comprised the balance of 20.9%, of net assets.

NET ASSETS of Wisconsin Investment Company showed a gain of $534,407 during the year 1952, as indicated in the company's annual report. Net asset value of the common stock, after payment of a capital gains distribution of $0.12 per share was $4.27 at the year-end. This compares with $4.17 per share at the end of the previous year. Four quarterly dividend payments were made during 1952 which totaled $0.18 per share.

Arrangements have been completed providing for a Systematic Investing Plan through the facilities of the Marshall & Ilsley Bank of Milwaukee, the custodian. This is a plan to encourage present shareholders and new investors to set aside a given amount periodically for the purchase of Wisconsin Investment Company shares.

Continued from first page

Eisenhower Delivers His First State of the Union Message

the attainment of equality of opportunity for all, so that our nation will ever act with the strength of unity in every task to which it is called.

The purpose of this message is to suggest certain lines along which our joint efforts may immediately be directed toward realization of these four ruling purposes.

The time that this Administration has been in office has been too brief to permit preparation of a detailed and comprehensive program of recommended action to cover all phases of the responsibilities that devolve upon our country's new leaders. Such a program will be filled out in the weeks ahead as, after appropriate study, I shall submit additional recommendations for your consideration. Today can provide only a sure and substantial beginning.

II

On Foreign Policy

Our country has come through a painful period of trial and disillusionment since the victory of 1945. We anticipated a world of peace and cooperation. The calculated pressures of aggressive Communism have forced us, instead, to live in a world of turmoil.

From this costly experience we have learned one clear lesson. We have learned that the free world cannot indefinitely remain in a posture of paralyzed tension, leaving forever to the aggressor the choice of time and place and means to cause greatest hurt to us at least cost to himself.

This Administration has, therefore, begun the definition of a new, positive foreign policy. This policy will be governed by certain fixed ideas. They are these:

(1) Our foreign policy must be clear, consistent and confident. This means that it must be the product of genuine, continuous cooperation between the Executive and the Legislative branches of this government. It must be developed and directed in the spirit of true bipartisanship.

(2) The policy we embrace must be a coherent global policy. The freedom we cherish and defend in Europe and in the Americas is no different from the freedom that is imperilled in Asia.

(3) Our policy, dedicated to making the free world secure, will envision all peaceful methods and devices — except breaking faith with our friends. We shall never acquiesce in the enslavement of any people in order to purchase fancied gain for ourselves. I shall ask the Congress at a later date to join in an appropriate resolution making clear that this government recognizes no kind of commitment contained in secret understandings of the past with foreign governments which permit this kind of enslavement.

(4) The policy we pursue will recognize the truth that no single country, even one so powerful as ours, can alone defend the liberty of all nations threatened by Communist aggression from without or subversion within. Mutual security means effective mutual cooperation. For the United States, this means that, as a matter of common sense and national interest, we shall give help to other nations in the measure that they strive earnestly to do their full share of the common task. No wealth of aid could compensate for poverty of spirit. The heart of every free nation must be honestly dedicated to the preserving of its own independence and security.

(5) Our policy will be designed to foster the advent of practical unity in Western Europe. The nations of that region have contributed notably to the effort of sustaining the security of the free world. From the jungles of Indo-China and Malaya to the northern shores of Europe, they have vastly improved their defensive strength. Where called upon to do so, they have made costly and bitter sacrifices to hold the line of freedom.

But the problem of security demands closer cooperation among the nations of Europe than has been known to date. Only a more closely integrated economic and political system can provide the greatly increased economic strength needed to maintain both necessary military readiness and respectable living standards.

Europe's enlightened leaders have long been aware of these facts. All of the devoted work that has gone into the Schuman Plan, the European Army and the Strasbourg Conference has testified to their vision and determination. These achievements are the more remarkable when we realize that each of them has marked a victory —for France and for Germany alike—over the divisions that in the past have brought such tragedy to these two great nations and to the world.

The needed unity of Western Europe manifestly cannot be manufactured from without; it can only be created from within. But it is right and necessary that we encourage Europe's leaders by informing them of the high value we place upon the earnestness of their efforts toward this goal. Real progress will be conclusive evidence to the American people that our material sacrifices in the cause of collective security are matched by essential political, economic and military accomplishments in Western Europe.

(6) Our foreign policy will recognize the importance of profitable and equitable world trade.

A substantial beginning can and should be made by our friends themselves. Europe, for example, is now marked by checkered areas of labor-surplus and labor-shortage, of agricultural areas needing machines and industrial areas needing food. Here and elsewhere we can hope that our friends will take the initiative in creating broader markets and more dependable currencies, to allow greater exchange of goods and services among themselves.

Action along these lines can create an economic environment that will invite vital help from us.

This help includes:

First: Revising our customs regulations to remove procedural obstacles to profitable trade. I further recommend that the Congress take the Reciprocal Trade Agreements Act under immediate study and extend it by appropriate legislation. This objective must not ignore legitimate safeguarding of domestic industries, agriculture and labor standards. In all Executive study and recommendations on this problem, labor and management and farmers alike will be earnestly consulted.

Second: Doing whatever government properly can to encourage the flow of private American investment abroad. This involves, as a serious and explicit purpose of our foreign policy, the encouragement of a hospitable climate for such investment in foreign nations.

Third: Availing ourselves of facilities overseas for the economical production of manufactured articles which are needed for mutual defense and which are not seriously competitive with our own normal peacetime production.

Fourth: Receiving from the rest of the world, in equitable exchange for what we supply, greater amounts of important raw materials which we do not ourselves possess in adequate quantities.

III

The Korean War

In this general discussion of our foreign policy, I must make special mention of the war in Korea.

This war is, for Americans, the most painful phase of Communist aggression throughout the world. It is clearly a part of the same calculated assault that the aggressor is simultaneously pressing in Indo-China and in Malaya, and of the strategic situation that manifestly embraces the island of Formosa and the Chinese Nationalist forces there. The working out of any military solution to the Korean War will inevitably affect all these areas.

The Administration is giving immediate increased attention to the development of additional Republic of Korea forces. The citizens of that country have proved their capacity as fighting men and their eagerness to take a greater share in the defense of their homeland. Organization, equipment, and training will allow them to do so. Increased assistance to Korea for this purpose conforms fully to our global policies.

In June, 1950, following the aggressive attack on the Republic of Korea, the United States Seventh Fleet was instructed both to prevent attack upon Formosa and also to insure that Formosa should not be used as a base of operations against the Chinese Communist mainland.

This has meant, in effect, that the United States Navy was required to serve as a defensive arm of Communist China. Regardless of the situation in 1950, since the date of that order the Chinese Communists have invaded Korea to attack the United Nations forces there. They have consistently rejected the proposals of the United Nations Command for an armistice. They recently joined with Soviet Russia in rejecting the armistice proposal sponsored in the United Nations by the Government of India. This proposal had been accepted by the United States and 53 other nations.

Consequently there is no longer any logic or sense in a condition that required the United States Navy to assume defensive responsibilities on behalf of the Chinese Communists, thus permitting those Communists, with greater impunity, to kill our soldiers and those of our United Nations allies, in Korea.

I am, therefore, issuing instructions that the Seventh Fleet no longer be employed to shield Communist China. This order implies no aggressive intent on our part. But we certainly have no obligation to protect a nation fighting us in Korea.

IV

Problem of Military Strength

Our labor for peace in Korea and in the world imperatively demands the maintenance by the United States of a strong fighting service ready for any contingency.

Our problem is to achieve adequate military strength within the limits of endurable strain upon our economy. To amass military power without regard to our economic capacity would be to defend ourselves against one kind of disaster by inviting another.

Both military and economic objectives demand a single national military policy, proper coordination of our armed services, and effective consolidation of certain logistics activities.

We must eliminate waste and duplication of effort in the armed services.

We must realize clearly that size alone is not sufficient. The biggest force is not necessarily the best—and we want the best.

We must not let traditions or habits of the past stand in the way of developing an efficient military force. All members of our forces must be ever mindful that they serve under a single flag and for a single cause.

We must effectively integrate our armament programs and plan them in such careful relation to our industrial facilities that we assure the best use of our manpower and our materials.

Because of the complex technical nature of our military organization and because of the security reasons involved, the Secretary of Defense must take the initiative and assume the responsibility for developing plans to give our nation maximum safety at minimum cost. Accordingly, the new Secretary of Defense and his civilian and military associates will, in the future, recommend such changes in present laws affecting our defense activities as may be necessary to clarify responsibilities and improve the total effectiveness of our defense effort.

This effort must always conform to policies laid down in the National Security Council.

The statutory function of the National Security Council is to assist the President in the formulation and coordination of significant domestic, foreign, and military policies required for the security of the nation. In these days of tension, it is essential that this central body have the vitality to perform effectively its statutory role. I propose to see that it does so.

Careful formulation of policies must be followed by clear understanding of them by all peoples.

A related need, therefore, is to make more effective all activities of the government related to international information.

I have recently appointed a Committee of representative and informed citizens to survey this field and to make recommendations in the near future for legislative, administrative, or other action.

A unified and dynamic effort in this whole field is essential to the security of the United States and of the other peoples in the community of free nations. There is but one sure way to avoid total war—and that is to win the cold war.

While retaliatory power is one strong deterrent to a would-be aggressor, another powerful deterrent is defensive power. No enemy is likely to attempt an attack foredoomed to failure.

Because the building of a completely impenetrable defense against attack is still not possible, total defensive strength must include civil defense preparedness. Because we have incontrovertible evidence that Soviet Russia possesses atomic weapons, this kind of protection becomes sheer necessity.

Civil defense responsibilities primarily belong to the state and local governments — recruiting, training and organizing volunteers to meet any emergency. The immediate job of the Federal government is to provide leadership, to supply technical guidance, and to continue to strengthen its civil defense stockpile of medical, engineering and related supplies and equipment. This work must go forward without lag.

V

Fiscal and Economic Policies

I have referred to the inescapable need for economic health and strength if we are to maintain adequate military power and exert influential leadership for peace in the world.

Our immediate task is to chart a fiscal and economic policy that can:

(1) Reduce the planned deficits and then balance the budget, which means among other things, reducing Federal expenditures to the safe minimum;

(2) Meet the huge costs of our defense;

(3) Properly handle the burden of our inheritance of debt and obligations;

(4) Check the menace of inflation;

(5) Work toward the earliest possible reduction of the tax burden;

(6) Make constructive plans to encourage the initiative of our citizens.

It is important that all of us understand that this Administration does not and cannot begin its task with a clean slate. Much already has been written on the record, beyond our power quickly to erase or to amend. This record includes our inherited burden of indebtedness and obligations and deficits.

The current year's budget, as you know, carries a 5.9 billion dollar deficit, and the budget which was presented to you before this Administration took office, indicates a budgetary deficit of 9.9 billion for the fiscal year ending June 30, 1954. The national debt is now more than $265 billion. In addition, the accumulated obligational authority of the Federal government for future payment totals over $80 billion. Even this amount is exclusive of large contingent liabilities, so numerous and extensive as to be almost beyond accurate description.

The bills for the payment of nearly all of the $80 billion of obligations will be presented during the next four years. These bills, added to the current costs of government we must meet, make a formidable burden.

The present authorized government debt limit is $275 billion. The forecast presented by the outgoing Administration with the fiscal year 1954 budget indicates that —before the end of the fiscal year and at the peak of demand for payments during the year — the total government debt may approach and even exceed that limit. Unless budgeted deficits are checked, the momentum of past programs will force an increase of the statutory debt limit.

Permit me this one understatement: To meet and to correct this situation will not be easy.

Permit me this one assurance: Every Department head and I are determined to do everything we can to resolve it.

The first order of business is the elimination of the annual deficit. This cannot be achieved merely by exhortation. It demands the concerted action of all those in responsible positions in the government and the earnest cooperation of the Congress.

Already, we have begun an examination of the appropriations and expenditures of all departments in an effort to find significant items that may be decreased or cancelled without damage to our essential requirements.

Getting control of the budget requires also that State and local governments and interested groups of citizens restrain themselves in their demands upon the Congress that the Federal Treasury spend more and more money for all types of projects.

A balanced budget is an essential first measure in checking further depreciation in the buying power of the dollar. This is one of the critical steps to be taken to bring an end to planned inflation. Our purpose is to manage the government's finances so as to help and not hinder each family in balancing its own budget.

Reduction of taxes will be justified only as we show we can succeed in bringing the budget under control. As the budget is balanced

and inflation checked, the tax burden that today stifles initiative can and must be eased.

Until we can determine the extent to which exenditures can be reduced, it would not be wise to reduce our revenues.

Meanwhile, the tax structure as a whole demands review. The Secretary of the Treasury is undertaking this study immediately. We must develop a system of taxation which will impose the least possible obstacle to the dynamic growth of the country. This includes particularly real opportunity for the growth of small businesses. Many readjustments in existing taxes will be necessary to serve these objectives and also to remove existing inequities. Clarification and simplification in the tax laws as well as the regulations will be undertaken.

In the whole area of fiscal policy—which must, in its various aspects, be treated in recommendations to the Congress in coming weeks—there can now be stated certain basic facts and principles.

First: It is axiomatic that our economy is a highly complex and sensitive mechanism. Hasty and ill-considered action of any kind could serously upset the subtle equation that encompasses debts, obligations, expenditures, defense demands, deficits, taxes, and the general economic health of the Nation. Our goals can be clear, our start toward them can be immediate—but action must be gradual.

Second: It is clear that too great a part of the national debt comes due in too short a time. The Department of the Treasury will undertake at suitable times a program of extending part of the debt over longer periods and gradually placing greater amounts in the hands of longer-term investors.

Third: Past differences in policy between the Treasury and the Federal Reserve Board have helped to encourage inflation. Henceforth, I expect that their single purpose shall be to serve the whole nation by policies designed to stabilize the economy and encourage the free play of our people's genius for individual initiative.

On Price and Wage Controls

In encouraging this initiative, no single item in our current problems has received more thoughtful consideration by my associates, and by the many individuals called into our counsels, than the matter of price and wage control by law.

The great economic strength of our democracy has developed in an atmosphere of freedom. The character of our people resists artificial and arbitrary controls of any kind. Direct controls, except those on credit, deal not with the real causes of inflation but only with its symptoms. In times of national emergency, this kind of control has a role to play. Our whole system, however, is based upon the assumption that, normally, we should combat wide fluctuations in our price structure by relying largely on the effective use of sound fiscal and monetary policy, and upon the natural workings of economic law.

Moreover, American labor and American business can best resolve their wage problems across the bargaining table. Government should refrain from sitting in with them unless, in extreme cases, the public welfare requires protection.

We are, of course, living in an international situation that is neither an emergency demanding full mobilization, nor is it peace. No one can know how long this condition will persist. Consequently, we are forced to learn many new things as we go along—clinging to what works, discarding what does not.

In all our current discussions on these and related facts, the weight of evidence is clearly against the use of controls in their present forms. They have proved largely unsatisfactory or unworkable. They have not prevented inflation; they have not kept down the cost of living. Dissatisfaction with them is wholly justified. I am convinced that now—as well as in the long run—free and competitive prices will best serve the interests of all the people, and best meet the changing, growing needs of our economy.

Accordingly, I do not intend to ask for a renewal of the present wage and price controls on April 30, 1953, when present legislation expires. In the meantime, steps will be taken to eliminate controls in an orderly manner, and to terminate special agencies no longer needed for this purpose. It is obviously to be expected that the removal of these controls will result in individual price changes—some up, some down. But a maximum of freedom in market prices as well as in collective bargaining is characteristic of a truly free people.

I believe also that material and product controls should be ended, except with respect to defense priorities and scarce and critical items essential for our defense. I shall recommend to the Congress that legislation be enacted to continue authority for such remaining controls of this type as will be necessary after the expiration of the existing statute on June 30, 1953.

I recommend the continuance beyond June 30 of the authority for federal control over rents in those communities in which serious housing shortages exist. These are chiefly the so-called defense areas. In these and all areas, the Federal government should withdraw from the control of rents as soon as practicable. But before they are removed entirely, each legislature should have full opportunity to take over, within its own state, responsibility for this function.

It would be idle to pretend that all our problems in this whole field of prices will solve themselves by mere Federal withdrawal from direct controls.

We shall have to watch trends closely. If the freer functioning of our economic system, as well as the indirect controls which can be appropriately employed, prove insufficient during this period of strain and tension, I shall promptly ask the Congress to enact such legislation as may be required.

In facing all these problems—wages, prices, production, tax rates, fiscal policy, deficits—everywhere we remain constantly mindful that the time for sacrifice has not ended. But we are concerned with the encouragement of competitive enterprise and individual initiative precisely because we know them to be our Nation's abiding sources of strength.

VI

On Loyalty of Federal Personnel

Our vast world responsibility accents with urgency our people's elemental right to a government whose clear qualities are: loyalty, security, efficiency, economy and integrity.

The safety of America and the trust of the people alike demand that the personnel of the Federal government be loyal in their motives and reliable in the discharge of their duties. Only a combination of both loyalty and reliability promises genuine security.

To state this principle is easy: to apply it can be difficult. But this security we must and shall have. By way of example, all principal new appointees to departments and agencies have been investigated at their own request by the Federal Bureau of Investigation.

Confident of your understanding and cooperation, I know that the primary responsibility for keeping out the disloyal and the dangerous rests squarely upon the Executive Branch. When this Branch so conducts itself as to require policing by another Branch of the government, it invites its own disorder and confusion.

I am determined to meet this responsibility of the Executive. The heads of all Executive departments and agencies have been instructed to initiate at once effective programs of security with respect to their personnel. The Attorney General will advise and guide the departments and agencies in the shaping of these programs, designed at once to govern the employment of new personnel and to review speedily any derogatory information concerning incumbent personnel.

To carry out these programs, I believe that the powers of the Executive Branch under existing law are sufficient. If they should prove inadequate, the necessary legislation will be requested.

These programs will be both fair to the rights of the individual and effective for the safety of the nation. They will, with care and justice, apply the basic principle that public employment is not a right but a privilege.

All these measures have two clear purposes. Their first purpose is to make certain that this nation's security is not jeopardized by false servants. Their second purpose is to clear the atmosphere of that unreasoned suspicion than accepts rumor and gossip as substitutes for evidence.

Our people, of course, deserve and demand of their Federal government more than security of personnel. They demand, also, efficient and logical organization, true to constitutional principles.

I have already established a Committee on Government Organization. The Committee is using as its point of departure the reports of the Hoover Commission and subsequent studies by several independent agencies. To achieve the greater efficiency and economy which the Committee analyses show to be possible, I ask the Congress to extend the present Government Reorganization Act for a period of 18 months or two years beyond its expiration date of April 1, 1953.

There is more involved here than realigning the wheels and smoothing the gears of administrative machinery. The Congress rightfully expects the Executive to take the initiative in discovering and removing outmoded functions and eliminating duplication.

One agency, for example, whose head has promised early and vigorous action to provide greater efficiency is the Post Office. One of the oldest institutions of our Federal government, its service should be of the best. Its employees should merit and receive the high regard and esteem of the citizens of the nation. There are, today, in some areas of the postal service, both waste and incompetence to be corrected. With the cooperation of the Congress, and taking advantage of its accumulated experience in postal affairs, the Postmaster General will institute a program directed at improving service while at the same time reducing costs and decreasing deficits.

In all Departments, dedication to these basic precepts of security and efficiency, integrity and economy can and will produce an Administration deserving of the trust the people have placed in it.

Our people have demanded nothing less than good, efficient government. They shall get nothing less.

VII

Preservation of Natural Resources

Vitally important are the water and minerals, public lands and standing timber, forage and wild life of this country. A fast-growing population will have vast future needs in these resources. We must more than match the substantial achievements in the half-century since President Theodore Roosevelt awakened the nation to the problem of conservation.

This calls for a strong Federal program in the field of resource development. Its major projects should be timed, where possible, to assist in levelling off peaks and valleys in our economic life. Soundly-planned projects already initiated should be carried out. New ones will be planned for the future.

The best natural resources program for America will not result from exclusive dependence on Federal bureaucracy. It will involve a partnership of the states and local communities, private citizens and the Federal government, all working together. This combined effort will advance the development of the great river valleys of our nation and the power that they can generate. Likewise, such a partnership can be effective in the expansion throughout the nation of upstream storage; the sound use of public lands; the wise conservation of minerals; and the sustained yield of our forests.

There has been much criticism, some of it apparently justified, of the confusion resulting from overlapping Federal activities in this entire field of resource-conservation. This matter is being exhaustively studied and appropriate reorganization plans will be developed.

Most of these particular resource problems pertain to the Department of the Interior. Another of its major concerns is our country's island possessions. Here, one matter deserves attention. The platforms of both political parties promised immediate statehood to Hawaii. The people of that Territory have earned that status. Statehood should be granted promptly with the first election scheduled for 1954.

VIII

Agriculture and Farm Price Support

One of the difficult problems which face the new Administration is that of the slow, irregular decline of farm prices. This decline, which has been going on for almost two years, has occurred at a time when most non-farm prices and farm costs-of-production are extraordinarily high.

Present agricultural legislation provides for the mandatory support of the prices of basic farm commodities at 90% of parity. The Secretary of Agriculture and his associates will, of course, execute the present act faithfully and thereby seek to mitigate the consequences of the downturn in farm income.

This price-support legislation will expire at the end of 1954.

We should begin now to consider what farm legislation we should develop for 1955 and beyond. Our aim should be economic stability and full parity of income for American farmers. But we must seek this goal in ways that minimize governmental interference in the farmers' affairs, that permit desirable shifts in production, and that encourage farmers themselves to use initiative in meeting changing economic conditions.

A continuing study reveals nothing more emphatically than the complicated nature of this entire subject. Among other things, it shows that the prosperity of our agriculture depends directly upon the prosperity of the whole country—upon the purchasing power of American consumers. It depends also upon the opportunity to ship abroad large surpluses of particular commodities, and therefore upon sound economic relationships between the United States and many foreign countries. It involves research and scientific investigation, conducted on an extensive scale. It involves special credit mechanisms, and marketing, rural electrification, soil conservation, and other programs.

The whole complex of agricultural programs and policies will be studied by a Special Agricultural Advisory Commission, as I know it will by appropriate committees of the Congress. A nonpartisan group of respected authorities in the field of agriculture has already been appointed as an Interim Advisory Group.

The immediate changes needed in agricultural programs are largely budgetary and administrative in nature. New policies and new programs must await the completion of the far-reaching studies which have already been launched.

IX

Labor Relations Policy

The determination of labor policy must be governed not by the vagaries of political expediency but by the firmest principles and convictions. Slanted partisan appeals to American workers, spoken as if they were a group apart, necessitating a special language and treatment, are an affront to the fullness of their dignity as American citizens.

The truth in matters of labor policy has become obscured in controversies. The very meaning of economic freedom as it affects labor has become confused. This misunderstanding has provided a climate of opinion favoring the growth of governmental paternalism in labor relations. This tendency, if left uncorrected, could end only by producing a bureaucratic despotism. Economic freedom is, in fact, the requisite of greater prosperity for every American who earns his own living.

In the field of labor legislation, only a law that merits the respect and support of both labor and management can help reduce the loss of wages and of production through strikes and stoppages, and thus add to the total economic strength of our nation.

We have now had five years' experience with the Labor Management Act of 1947, commonly known as the Taft-Hartley Act. That experience has shown the need for some corrective action, and we should promptly proceed to amend that Act.

I know that the Congress is already proceeding with renewed studies of this whole subject. Meanwhile, the Department of Labor is at once beginning work to devise further specific recommendations for your consideration.

In the careful working out of legislation, I know you will give thoughtful consideration—as will we in the Executive Branch—to the views of labor, and of management, and of the general public. In this process, it is only human that each of us should bring forward the arguments of self-interest. But if all conduct their arguments in the overpowering light of national interest—which is enlightened self-interest—we shall get the right answers. I profoundly hope that every citizen of our country will follow with understanding your progress in this work. The welfare of all of us is involved.

Especially must we remember that the institutions of trade unionism and collective bargaining are monuments to the freedom that must prevail in our industrial life. They have a century of honorable achievement behind them. Our faith in them is proven, firm and final.

Government can do a great deal to aid the settlement of labor disputes without allowing itself to be employed as an ally of either side. Its proper role in industrial strife is to encourage the processes of mediation and conciliation. These processes can successfully be directed only by a government

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Eisenhower Delivers HIs First State of the Union Message

free from the taint of any suspicion that it is partial or punitive.

The Administration intends to strengthen and to improve the services which the Department of Labor can render to the worker and to the whole national community. This Department was created—just 40 years ago—to serve the entire nation. It must aid, for example, employers and employees alike in improving training programs that will develop skilled and competent workers. It must enjoy the confidence and respect of labor and industry in order to play a significant role in the planning of America's economic future. To that end, I am authorizing the Department of Labor to establish promptly a tripartite Advisory Committee consisting of representatives of employers, labor and the public.

X
On Civil Rights

Our civil and social rights form a central part of the heritage we are striving to defend on all fronts and with all our strength.

I believe with all my heart that our vigilant guarding of these rights is a sacred obligation binding upon every citizen. To be true to one's own freedom is—in essence—to honor and respect the freedom of all others.

A cardinal ideal in this heritage we cherish is the equality of rights of all citizens of every race and color and creed.

We know that discrimination against minorities persists despite our allegiance to this ideal. Such discrimination—confined to no one section of the nation—is but the outward testimony to the persistence of distrust and of fear in the hearts of men.

This fact makes all the more vital the fighting of these wrongs by each individual, in every station of life, in his every deed.

Much of the answer lies in the power of fact, fully publicized; of persuasion, honestly pressed; and of conscience, justly aroused. These are methods familiar to our way of life, tested and proven wise.

I propose to use whatever authority exists in the office of the President to end segregation in the District of Columbia, including the Federal Government, and any segregation in the armed forces.

Here in the District of Columbia, serious attention should be given to the proposal to develop and authorize, through legislation, a system to provide an effective voice in local self-government. While consideration of this proceeds, I recommend, in the meantime, an immediate increase of two in the number of District Commissioners to broaden representation of all elements of our population. This will be a first step toward insuring that this Capital provide an honored example to all communities of our nation.

In this manner, and by the leadership of the office of the President exercised through friendly conferences with those in authority in our states and cities, we expect to make true and rapid progress in civil rights and equality of employment opportunity.

There is one sphere in which civil rights are inevitably involved in Federal legislation. This is the sphere of immigration.

It is a manifest right of our government to limit the number of immigrants our nation can absorb. It is also a manifest right of our government to set reasonable requirements on the character and the numbers of the people who come to share our land and our freedom.

It is well for us, however, to remind ourselves occasionally of an equally manifest fact: we are —one and all—immigrants or sons and daughters of immigrants.

Existing legislation contains injustices. It does, in fact, discriminate. I am informed by members of the Congress that it was realized, at the time of its enactment, that future study of the basis of determining quotas would be necessary.

I am therefore requesting the Congress to review this legislation and to enact a statute that will at one and the same time guard our legitimate national interests and be faithful to our basic ideas of freedom and fairness to all.

In another but related area—that of social rights—we see most clearly the new application of old ideas of freedom.

This Administration is profoundly aware of two great needs born of our living in a complex industrial economy. First: the individual citizen must have safeguards against personal disaster inflicted by forces beyond his control. Second: the welfare of the people demands effective and economical performance by the government of certain indispensable social services.

In the light of this responsibility, certain general purposes and certain concrete measures are plainly indicated now.

There is urgent need for greater effectiveness in our programs, both public and private, offering safeguards against the privations that too often come with unemployment, old age, illness, and accident. The provisions of the Old Age and Survivors Insurance Law should promptly be extended to cover millions of citizens who have been left out of the Social Security System. No less important is the encouragement of privately sponsored pension plans. Most important of all, of course, is renewed effort to check the inflation which destroys so much of the value of all social security payments.

Our school system demands some prompt, effective help. During each of the last two years, more than 1½ million children have swelled the elementary and secondary school population of the country. Generally, the school population is proportionately higher in states with low per capita income. This whole situation calls for careful Congressional study and action. I am sure that you share my conviction that the firm conditions of Federal aid must be proved need and proved lack of local income.

One phase of the school problem demands special action. The school population of many districts has been greatly increased by the swift growth of defense activities. These activities have added little or nothing to the tax resources of the communities affected. Legislation aiding construction of schools in these districts expires on June 30. This law should be renewed; and, likewise, the partial payments for current operating expenses for these particular school districts should be made, including the deficiency requirement of the current fiscal year.

Public interest similarly demands one prompt specific action in protection of the general consumer. The Food and Drug Administration should be authorized to continue its established and necessary program of factory inspections. The invalidation of these inspections by the Supreme Court of Dec. 8, 1952, was based solely on the fact that the present law contained inconsistent and unclear provisions. These must be promptly corrected.

I am well aware that beyond these few immediate measures there remains much to be done. The health and housing needs of our people call for intelligently planned programs. Involved, too, are the intricate matters of achieving proper Federal, State, and local relationships; assuring the solvency of the whole security system; and guarding against its exploitation by the irresponsible.

To bring clear purpose and orderly procedure into this whole field, I anticipate a thorough study by an appropriate commission of the proper relationship among Federal, State, and local programs in this whole field. I shall shortly send you specific recommendations for establishing such a commission, together with a reorganization plan defining new administrative status for all Federal activities in health, education, and social security.

I repeat that there are many important subjects of which I make no mention today. Among these is our great and growing body of veterans. America has traditionally been generous in caring for the disabled—and the widow and the orphan of the fallen. These millions remain close to all our hearts. Proper care of our uniformed citizens and appreciation of the past service of our veterans are part of our accepted governmental responsibilities.

XI
Summary

We have surveyed briefly some problems of our people and a portion of the tasks before us.

We have seen that the idea of individual freedom applies across the whole span of these matters—from a foreign policy of world purpose to the daily needs of the aged, from an enforcement of economy in government to the development of our great river basins.

The hope of freedom itself depends, in real measure, upon our strength, our heart, and our wisdom.

We must be strong in arms. We must be strong in the source of all our armament—our productivity. We all—workers and farmers, foremen and financiers, technicians and builders—all must produce, produce more, and produce yet more.

We must be strong, above all, in the spiritual resources upon which all else depends. We must be devoted with all our heart to the values we defend. We must know that each of these values and virtues applies with equal force at the ends of the earth and in our relations with our neighbor next door. We must know that freedom expresses itself with equal eloquence in the right of workers to strike in the nearby factory—and in the yearnings and sufferings of the peoples of Eastern Europe.

As our heart summons our strength, our wisdom must direct it.

There is—in world affairs—a steady course to be followed between an assertion of strength that is truculent and a confession of helplessness that is cowardly.

There is—in our affairs at home —a middle way between untrammelled freedom of the individual and the demands for the welfare of the whole Nation. This way must avoid government by bureaucracy as carefully as it avoids negelect of the helpless.

In every area of political action, free men must think before they can expect to win.

In this spirit must we live and labor: confident of our strength, compassionate in our heart, clear in our mind.

In this spirit, let us together turn to the great tasks before us.

DWIGHT D. EISENHOWER

The White House,
Feb. 2, 1953.

Canadian Securities

By WILLIAM J. McKAY

A new wave of activity in so called "penny shares" has hit the Toronto Stock Exchange. For almost a week trading records were consecutively broken as total dealings on the exchange rose from around 7,000,000 shares to reach a climax on Jan. 28 of over 12 million shares, the highest on record. But the vastly increased activity was characterized largely by a churning of the "penny issues," and resulted in no sharp price advances.

Traders on the floor of the Toronto Stock Exchange said they were "going crazy" trying to fill the rush of orders for the "penny" issues. Behind the rush was public interest in the Bathhurst base metals find and uranium activity in northern Saskatchewan. New Larder U was spurred by news of a financing agreement with Frobisher.

The very large volume required to produce only minor advances in many of the low priced issues, a weekly tabulation reveals, suggests that considerable distribution of these issues is under way and saturation of the available demand may not be too far away.

When the action is viewed against the background of more senior issues which, as indicated by all the Toronto indices, moving in a very narrow range of less than three points, are attracting little attention, the only question now seems to be when will it end. Stop-loss orders and profit-taking sales are suggested as factors in the markets' activity.

During the height of the market's activity, total transactions exceeding a million shares were registered in some of the low-priced mining stocks. Some brokers noted that the "bullishness" of investors was indicated by single orders for as much as 10,000 to 15,000 shares of a single issue, whereas, formerly, the largest orders were in the neighborhood of 500 shares or less.

Despite prevalent bullish sentiment, however, the week-end price level on Friday, Jan. 30, showed only relatively small change.

The exchange indexes were still pretty much unmoved by all the churning around in low-priced issues, and at the final bell showed an average move of about half a point, evenly divided between gains and losses. Biggest move was by base metals, off .61, while western oils were firmest with an advance of .55. Golds eased, industrials advanced.

In the latter group, one or two selected stocks were well ahead, including Crown Trust, Canadian Food Products preferred and Gordon Mackay preferred, but moves of as much as a dollar were rare.

In a similar vein, transactions on the Montreal Stock Exchange also took on a feverish pace. Turnover of shares on the "penny" section here also established new high records, but the general price trends in the industrial list followed a narrow and mixed pattern, although a few selected issued registered significant movements.

* * *

Whether the outburst of speculation the Canadian securities exchanges is merely a reflection of the current Canadian boom or is a manifestation of a species of mob psychology is a debatable matter. As yet, the fever has not extended to the United States, in any noticeable degree, although, at intervals there has been considerable speculation in Canadian stocks on the American Stock Exchange in New York.

The Securities and Exchange Commission has been for some time studying the question of the distribution of Canadian shares in the U. S. securities markets. In the address of John W. Rogers, Chairman of the Board of Governors of the Broker-Dealers' Association of Ontario, which organization held its Fifth Annual Meeting in Toronto on Jan. 24, mention was made of the negotiations between officials of the Canadian and United States Governments, having in view the easing of the difficulties that have faced Canadian securities dealers desiring to do business in the United States. The result of the negotiations was an amendment to the extradition treaty between the two nations. Thereafter, it was hoped that easier working arrangements for the distribution of Canadian securities in the U. S., through agreement with the Securities and Exchange Commission, were in the offing. However, no agreement on a formula which has proven acceptable to Canadian securities dealers has yet been accomplished, but the negotiations have not ended.

Patrick Sheedy Joins Fairman Co. Staff

Patrick H. Sheedy

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Patrick H. Sheedy has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Sheedy was formerly with Conrad, Bruce & Co. and prior thereto was Manager of the Trading Department for Edgerton, Wykoff & Co.

Toronto Bond Traders To Hold Annual Dinner

TORONTO, Canada — The Toronto Bond Traders Association will hold its 20th annual dinner at the King Edward Hotel on Friday, March 6th.

J. B. Cole Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. Byron Cole is engaging in the securities business from offices at 1228 South Flower Street.

Join Rex Merrick

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif. — Willis F. Lemon, Jr. and Warren A. McClure, Jr. have been added to the staff of Rex Merrick, 22 Second Avenue.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Caroline L. Beeson of Colorado Springs and Max D. Morton of Pueblo have become affiliated with Waddell & Reed, Inc. of Kansas City.

Charles B. Coady

Charles B. Coady, partner of MacQuoid & Coady, New York City, passed away on January 27.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 8	§95.6	*99.4	98.2	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 8	§2,154,000	*2,240,000	2,213,000	2,079,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 24	6,491,750	6,524,000	6,594,200	6,194,300
Crude runs to stills—daily average (bbls.)	Jan. 24	†7,031,000	7,081,000	7,077,000	6,584,000
Gasoline output (bbls.)	Jan. 24	23,154,000	24,037,000	24,023,000	21,649,000
Kerosene output (bbls.)	Jan. 24	2,759,000	2,791,000	3,540,000	2,865,000
Distillate fuel oil output (bbls.)	Jan. 24	11,121,000	10,903,000	11,024,000	10,391,000
Residual fuel oil output (bbls.)	Jan. 24	8,771,000	9,023,000	8,653,000	9,222,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 24	145,879,000	*143,492,000	134,425,000	143,621,000
Kerosene (bbls.) at	Jan. 24	23,890,000	24,932,000	27,790,000	23,490,000
Distillate fuel oil (bbls.) at	Jan. 24	85,179,000	*83,773,000	103,685,000	71,922,000
Residual fuel oil (bbls.) at	Jan. 24	46,918,000	47,745,000	48,662,000	39,957,009
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 24	697,641	705,479	520,671	728,015
Revenue freight received from connections (no. of cars)	Jan. 24	664,328	648,987	587,334	664,237
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 29	$599,911,000	$229,078,000	$185,038,000	$212,468,000
Private construction	Jan. 29	453,422,000	122,994,000	83,083,000	106,358,000
Public construction	Jan. 29	146,489,000	106,084,000	101,955,000	106,110,000
State and municipal	Jan. 29	102,509,000	77,809,000	80,572,000	58,672,000
Federal	Jan. 22	43,980,000	28,275,000	21,383,000	47,438,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 24	9,180,000	*9,560,000	6,520,000	11,220,000
Pennsylvania anthracite (tons)	Jan. 24	550,000	703,000	489,000	897,000
Beehive coke (tons)	Jan. 24	117,800	*112,200	93,600	147,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 24	86	92	146	83
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 31	8,150,534	8,144,074	7,713,155	7,572,432
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 29	162	173	89	164
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 27	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Jan. 27	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Jan. 27	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 28	24.200c	24.200c	24.200c	24.200c
Export refinery at	Jan. 28	34.925c	34.950c	34.350c	27.425c
Straits tin (New York) at	Jan. 28	121.500c	121.500c	121.500c	121.500c
Lead (New York) at	Jan. 28	14.000c	14.000c	14.250c	19.000c
Lead (St. Louis) at	Jan. 28	13.800c	13.800c	14.050c	18.800c
Zinc (East St. Louis) at	Jan. 28	12.000c	12.500c	12.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 3	95.79	95.72	96.12	96.69
Average corporate	Feb. 3	108.52	108.70	109.42	109.60
Aaa	Feb. 3	112.19	112.19	113.31	114.27
Aa	Feb. 3	110.70	110.88	111.81	113.12
A	Feb. 3	107.98	108.16	108.88	107.98
Baa	Feb. 3	103.80	103.80	104.14	103.47
Railroad Group	Feb. 3	106.21	106.21	106.74	105.69
Public Utilities Group	Feb. 3	108.34	108.52	109.42	109.60
Industrials Group	Feb. 3	111.25	111.25	112.37	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 3	2.80	2.80	2.78	2.72
Average corporate	Feb. 3	3.25	3.24	3.20	3.19
Aaa	Feb. 3	3.05	3.05	2.99	2.94
Aa	Feb. 3	3.13	3.12	3.07	3.00
A	Feb. 3	3.28	3.27	3.23	3.28
Baa	Feb. 3	3.52	3.52	3.50	3.54
Railroad Group	Feb. 3	3.38	3.38	3.35	3.41
Public Utilities Group	Feb. 3	3.26	3.25	3.20	3.19
Industrials Group	Feb. 3	3.10	3.10	3.04	2.97
MOODY'S COMMODITY INDEX	Feb. 3	405.4	404.5	409.2	454.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 24	202,039	239,772	‡342,725	187,558
Production (tons)	Jan. 24	239,985	244,187	‡299,914	201,284
Percentage of activity	Jan. 24	94	95	‡66	85
Unfilled orders (tons) at end of period	Jan. 24	462,564	500,300	‡478,354	376,678
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 30	108.18	*108.62	108.50	113.41
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 17	32,199	36,946	28,426	37,290
Number of shares	Jan. 17	918,371	1,074,494	840,614	1,056,792
Dollar value	Jan. 17	$39,017,000	$46,713,904	$37,137,351	$49,687,391
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 17	29,446	32,700	32,759	28,899
Customers' short sales	Jan. 17	133	147	125	203
Customers' other sales	Jan. 17	29,313	32,553	32,634	28,696
Number of shares—Total sales	Jan. 17	806,943	905,070	928,636	806,863
Customers' short sales	Jan. 17	4,698	4,906	4,283	7,554
Customers' other sales	Jan. 17	802,245	900,164	924,353	799,309
Dollar value	Jan. 17	$33,945,871	$37,682,687	$36,592,464	$35,065,905
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 17	236,930	285,170	359,783	201,000
Short sales	Jan. 17	------	------	------	------
Other sales	Jan. 17	236,930	285,170	359,783	201,000
Round-lot purchases by dealers—					
Number of shares	Jan. 17	339,090	411,750	266,671	462,270
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Jan. 10	325,320	158,240	240,290	355,460
Other sales	Jan. 10	10,035,030	7,516,380	9,974,940	8,600,790
Total sales	Jan. 10	10,360,350	7,674,620	10,215,230	8,956,250
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 10	1,052,910	780,320	1,011,180	870,500
Short sales	Jan. 10	172,860	101,100	143,090	202,64[illegible]
Other sales	Jan. 10	1,054,710	665,170	763,640	770,74[illegible]
Total sales	Jan. 10	1,227,570	766,270	906,730	973,380
Other transactions initiated on the floor—					
Total purchases	Jan. 10	297,230	163,600	314,900	210,590
Short sales	Jan. 10	23,900	5,600	9,800	10,500
Other sales	Jan. 10	354,260	173,700	263,820	229,300
Total sales	Jan. 10	378,160	179,300	273,620	239,800
Other transactions initiated off the floor—					
Total purchases	Jan. 10	358,587	386,211	358,200	332,193
Short sales	Jan. 10	58,420	17,880	39,550	56,320
Other sales	Jan. 10	413,249	222,475	342,149	411,630
Total sales	Jan. 10	471,669	240,353	381,690	467,950
Total round-lot transactions for account of members—					
Total purchases	Jan. 10	1,708,727	1,330,131	1,684,280	1,413,28[illegible]
Short sales	Jan. 10	255,180	124,580	192,440	269,460
Other sales	Jan. 10	1,822,219	1,061,345	1,369,609	1,411,670
Total sales	Jan. 10	2,077,399	1,185,925	1,562,049	1,681,130
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 27	109.4	109.8	109.6	------
Farm products	Jan. 27	99.6	100.1	101.1	------
Processed foods	Jan. 27	103.6	*103.9	103.2	------
Meats	Jan. 27	97.0	*97.9	94.0	------
All commodities other than farm and foods	Jan. 27	112.7	112.8	112.8	------

*Revised figure. †Includes 654,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons. ‡Eleven days ended Dec. 31, 1952.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of November:			
Total gas (M therms)	4,599,947	3,961,842	4,189,100
Natural gas sales (M therms)	4,340,427	3,752,525	3,920,300
Manufactured gas sales (M therms)	78,003	63,379	119,200
Mixed gas sales (M therms)	181,517	145,938	149,600
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (barrels of 42 gallons each)	221,649,000	213,776,000	215,777,000
Domestic crude oil output (barrels)	202,044,000	195,528,000	197,610,000
Natural gasoline output (barrels)	19,562,000	18,211,000	18,123,000
Benzol output (barrels)	43,000	37,000	44,000
Crude oil imports (barrels)	19,948,000	18,459,000	13,054,000
Refined products imports (barrels)	12,232,000	8,608,000	10,778,000
Indicated consumption domestic and export (barrels)	250,706,000	223,435,000	234,274,000
Increase all stock (barrels)	3,123,000	17,408,000	5,335,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of January (000's omitted):			
Total U. S. construction	$1,886,520	$906,976	$1,210,798
Private construction	1,177,528	530,230	723,139
Public construction	708,992	376,746	487,659
State and municipal	480,062	246,463	332,731
Federal	228,930	130,283	154,928
COAL OUTPUT (BUREAU OF MINES)—Month of December:			
Bituminous coal and lignite (net tons)	42,395,000	40,850,000	44,000,000
Pennsylvania anthracite (net tons)	3,130,000	3,354,000	3,713,000
Beehive coke (net tons)	420,400	*356,100	623,900
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term Credit in millions as of Dec. 31:			
Total consumer credit	$23,975	$22,803	$20,644
Instalment credit	16,506	15,889	13,510
Sale credit	9,388	8,917	7,546
Automobile	5,190	5,038	4,039
Other	4,198	3,879	3,507
Loan credit	7,118	6,972	5,964
Noninstalment credit	7,469	6,914	7,134
Charge accounts	4,768	4,242	4,587
Single payment loans	1,552	1,516	1,436
Service credit	1,149	1,156	1,111
COTTON GINNING (DEPT. OF COMMERCE)			
Running bales to Jan. 16	14,714,878	------	14,529,763
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1939-49 Average = 100) Month of December:			
Adjusted for seasonal variations	116	112	109
Without seasonal adjustment	195	133	184
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100—Month of December:			
Sales (average monthly), unadjusted	178	116	*174
Sales (average daily), unadjusted	175	123	*177
Sales (average daily), seasonally adjusted	101	98	*102
Stocks, unadjusted	102	128	*105
Stocks, seasonally adjusted	111	111	*114
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of October (000's omitted)	29,279,408	29,440,192	27,113,736
Revenue from ultimate customers—month of October	$521,103,300	$521,494,900	$477,724,400
Number of ultimate customers at October	48,239,396	48,078,037	46,589,587
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of December:			
Contracts closed (tonnage)—estimated	236,264	*144,001	202,835
Shipments (tonnage)—etimated	225,161	*223,662	202,679
INTERSTATE COMMERCE COMMISSION — Index of Railway Employment at middle of December (1935-39 average = 100)	121.8	120.3	124.2
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Jan.:			
Industrial (125)	5.18	5.14	5.57
Railroad (25)	5.52	5.56	6.03
†Utilities (24)	5.03	5.07	5.52
Banks (15)	4.29	4.18	4.41
Insurance (10)	3.07	2.99	3.38
Average (200)	5.15	5.13	5.53
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSN.)—Month of Dec.:			
Total number of vehicles	535,016	519,536	380,655
Number of passenger cars	418,977	405,111	293,325
Number of motor trucks	115,814	114,106	86,485
Number of motor coaches	225	319	845
NEW YORK STOCK EXCHANGE— As of December 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debt balances	$1,365,659	$1,346,515	$1,292,937
Credit extended to customers	33,455	32,333	39,640
Cash on hand and in banks in U. S.	344,121	338,754	381,101
Total of customers' free credit balances	727,339	705,539	823,773
Market value of listed shares	120,536,170	117,362,782	109,483,613
Market value of listed bonds	100,255,735	100,550,940	95,634,349
Member borrowings on U. S. Govt. issues	204,848	162,981	95,761
Member borrowings on other collateral	1,001,774	934,318	754,218
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—			
Month of September	1,486	1,552	1,553
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of November (000's omitted):			
Savings and loan associations	$526,128	$627,343	$440,038
Insurance companies	115,594	134,920	123,766
Bank and trust companies	298,066	342,393	285,398
Mutual savings banks	103,538	117,286	87,549
Individuals	217,193	253,100	216,985
Miscellaneous lending institutions	231,871	252,301	212,337
Total	$1,492,390	$1,727,343	$1,306,[illegible]

*Revised figure.

Continued from page 3

The Bank Credit Outlook

business optimism will be carried far enough to lead to competitive bidding for raw materials, an uptrend in commodity prices, and speculative accumulation of business inventories. Businessmen have displayed laudable caution in the face of the many temptations during the postwar years, and I hope and expect this caution will continue. A speculative splurge at this point could only serve to compound our problems for the future. Furthermore, an inflationary boom doubtless would be followed by a more restrictive credit policy on the part of the Federal Reserve, and this would exercise some restraint upon bank lending.

So long as business activity remains at or near current peak levels, the demand for bank credit will likewise remain high. However, in the absence of an inflationary rise in commodity prices, I would expect the increase in business loans in 1953 to be smaller than in 1952. Under these conditions, the seasonal decline in business loans during the first half of this year may be slightly larger than in the corresponding period of 1952; and the seasonal rise in the latter half of the year may be somewhat smaller.

During the postwar years—except during periods of inflationary pressures as in 1951 — loans to business have customarily evidenced some decline in the first quarter of the year, a somewhat larger decrease in the second quarter, and a seasonal rise in the second half of the year. During the next few months, we may anticipate the repayment of seasonal borrowings by commodity dealers and the food group, broadly defined. On the other hand, metals fabricators are likely to increase their borrowings, but less than they did in the early months of last year. However, this year we may expect increased borrowings by sales finance companies, in contrast with a liquidation of loans in the first half of last year. On balance, business loans are likely to decline somewhat more in the first half of 1953 than the 3 to 4% decline in the first half of last year.

Of course, a number of additional factors will have some bearing upon the course of business loans in 1953. The acceleration of corporate tax payments under the Mills Plan resulted in some additional borrowing in March and again in June, both last year and in 1951; but the amount that can be directly ascribed to this factor is not very large. In 1952 it was somewhat greater than in 1951; and although it may be somewhat larger again this year, it will not be substantial when measured against the total volume of outstanding loans. However, the secondary effects of the Mills Plan upon corporate working capital position are very difficult to trace through.

It is my impression that the liquid position of American business, which was impaired by the post-Korean price inflation, has not been deteriorating of late; in fact it probably improved during the past year. So long as full employment and the current level of profits are maintained, the business sector of the economy generates an enormous amount of cash each year from depreciation and other non-cash expenses; and this helps build up the liquid position of business, even in the face of record rates of spending on plant and equipment.

Another unknown in the business loan outlook is the extent to which corporate treasurers will desire to fund part of their short-term bank indebtedness. There may be some companies that feel their working capital requirements are on a plateau that is likely to be maintained for some time and that it might be advisable to achieve somewhat better flexibility of financial management by substituting long-term debt for bank loans. To the extent that this is a fact, it would tend to restrain the increase in bank loans this year. Even if the excess profits tax is allowed to expire at midyear, any resulting reduction in corporate borrowings would probably not be felt until 1954.

Thus, I foresee a situation in 1953 where the postwar upward trend in business loans will continue but at a reduced rate. If business continues good, business loans are likely to show an increase from Jan. 1 to Dec. 31, but the rise is likely to be smaller than in 1952, which in turn was smaller than the increases which occurred in 1951. In my judgment, it would require an appreciable deterioration in business conditions to cause business loans to be lower at the end of 1953 than they were at the end of last year.

Outlook for Bank Investments In Governments

In contrast with the steady rise in bank loans over the past decade, bank holdings of Treasury obligations have evidenced several swings. From their postwar peak in 1946, bank holdings declined sharply through 1948, reflecting in part Treasury policy in retiring bank-held debt and in part action by the banks to make room for a growing volume of loans. In 1952, commercial banks added about $1½ billion to their holdings of governments, in contrast with a small decrease in the previous year.

The major factors in the bank investment outlook for 1953 are the amount of funds the Treasury will find it necessary to borrow and the Treasury's ability to sell securities to nonbank investors. The Truman Administration has submitted its budget for fiscal 1954, but the problem of forecasting the actual results still remains. In the past, there has frequently been great dissimilarity between the budget estimates and the budget results; this year, the change in Administration adds new complications.

The fiscal outlook for calendar 1953 and beyond is clouded by uncertainty as to the course of defense expenditures, and by the as yet indeterminate prospects for tax reduction. At the end of this fiscal year, there will be large amounts (probably $60 billion or more) of funds appropriated but as yet unspent. However, obviously the new Administration will be able to exercise significant control over the rate of spending of funds already appropriated as well as over the amounts of the new appropriations.

The old Administration has presented a budget contemplating a $4 billion rise in the expenditures for fiscal 1954 over those anticipated in the current fiscal year. However, the rate of spending on national defense has been about on a plateau for the past nine months; and doubtless the proposed increase in foreign aid spending will receive careful scrutiny by the Congress. Consequently, expenditures in the fiscal year that begins July 1, 1953, may be only slightly larger than in the current fiscal year. However, since expenditures were rising in the early months of calendar 1952, the calendar year 1953 may still show a deficit about $2 to $3 billion larger than last year. The Treasury cash balance was on the high side at the beginning of this calendar year; and this could be reduced, thus cutting the amount of new financing required during the year. Consequently, on balance, the Treasury may not have to raise more cash this year than it did last.

If the excess profits tax is allowed to expire as of mid-1953, it would have no significant effect upon tax collections or Treasury financing requirements in the current calendar year. However, a reduction in individual income taxes would mean lower collections and higher financing requirements during the latter half of the year.

The financing requirements will, as was the case last year, be concentrated largely in the second half of the year. The question of the amount of government securities likely to be purchased by nonbank investors is particular troublesome at the present time. The flow of new mortgages, corporate securities, and bond offerings by state and local governments doubtless will continue at high levels, but perhaps not quite as large as last year; the institutional investors probably will have a somewhat larger supply of funds to invest this year. There are signs that the liquidation of government securities by institutional investors has slackened perceptibly in recent months. Also, the Treasury will doubtless try to tap the institutional market as a part of its funding operation. Putting all these imponderables together, one comes out with the conclusion that commercial bank holdings of government securities are likely to show a further growth in 1953; but the increase may be somewhat smaller than in 1952.

Outlook for Bank Deposits

These observations on the outlook for bank loans and commercial bank holdings of government obligations indicate a further growth in bank deposits in 1953. However, here also the rise is likely to be somewhat smaller than in 1952.

Demand deposits of individuals and corporations usually decline in the early months of the year as a result of the heavy concentration of tax payments. Deposits are almost certain to expand in the second half of the year, reflecting the seasonal rise in business loans and some increase in bank holdings of new issues of Treasury securities in the period of Treasury deficit financing.

Time deposits of commercial banks showed an increase of about $2.5 billion in 1952, compared with a growth of some $1.5 billion in the preceding year. Savings in a wide variety of institutions evidenced a phenomenal spurt last year, and commercial banks shared in the trend. The outlook is for the present high rate of savings to continue, but I would be surprised if time deposits increased by appreciably more this year than they did in 1952.

Outlook for Credit Policy

The appraisal of the outlook for credit policy has again become a matter of concern to bankers. Since March, 1951, the Federal Reserve has been pursuing a credit policy that has been variously described as "neutral" or "flexible." During 1951, the Federal Reserve was restrained in the exercise of some of its powers of credit control, notably the discount rate, by the terms of the accord with the Treasury. In 1952, the Federal Reserve generally allowed economic forces to tighten the money market; but upon occasion it did step in to provide additional bank reserves, thus easing the money market. Several times during 1952 the Federal Reserve added to its holdings of governments in order to facilitate Treasury financing. Also, in the last six weeks of 1952, the Federal Reserve purchased $1.1 billion of Treasury securities in order to reduce the pressure on the money market arising out of the seasonal increase of money in circulation and the rising loan demand. In spite of this action, however, the money market, as we all know, was very tight toward the end of the year; and yields on short-term Treasury obligations reached the highest levels they have attained for a good many years. Finally, in mid-January, the discount rate was increased; this was the first change since August, 1950.

The fact that the Federal Reserve did not see fit to raise the rediscount rate in the latter part of 1952 has received adverse comment on several grounds. It was argued that the 1¾% rate did not provide effective discouragement to member bank borrowing, evidenced by the fact that member banks borrowed between $1.5 and $2 billion fairly regularly during the latter part of 1952. Also, it was pointed out that the maintenance of the 1¾% rediscount rate in the face of increasing short-term interest rates had resulted in an abnormal pattern and structure of rates in the money market; the rate on new Treasury bills averaged above the discount rate in 24 out of the last 26 weeks in 1952. The facts that total bank loans increased more in the second half of last year than in the comparable period of 1951 and that there was some danger of business sentiment becoming too optimistic are cited as further reasons why the Federal Reserve should have taken action earlier in raising the rediscount rate.

One reason the Federal Reserve failed to establish a higher discount rate last year may have been the fact that the seasonal rise in business loans came relatively late in the year. Since the authorities began the purchase of government securities about mid-November, in order to ease the year-end squeeze in the money market, it may have been felt that an increase in the discount rate in the closing weeks of last year would have complicated their problems. In addition, there did not seem to be a pressing need for immediate action since there was lack of evidence of speculative excess in commodity prices, which were generally stable or soft, and an absence of the widespread use of credit to finance speculative inventory accumulation.

Now that the discount rate has been raised, the problem of appraising the significance of the action becomes important. Since the authorities offered no explanation as to the reasons for their action, any conclusions may be largely conjectural, although not without some basis. A survey of financial and economic trends fails to disclose developments in the first half of January that made the action imperative. However, with bank loans at record levels, with the recent evidence of continuing demand for bank credit, and with business sentiment generally quite optimistic, the authorities probably felt that a modest increase in the discount rate was appropriate.

As a part of its long-range program of getting back into this phase of central banking, the Federal Reserve authorities doubtless believed that the rediscount rate mechanism should be freed for use; obviously, a flexible credit policy requires freedom to change the rediscount rate under appropriate conditions. The recent action brought the discount rate more into line with existing levels of open-market interest rates; thus the action in a sense followed developments in the money market. On the other hand, it should be kept in mind that the present levels of money market rates reflect the credit policies of the Federal Reserve in recent months.

The timing of the action on the discount rate can be explained upon several grounds. One set of factors revolves around prospective developments in the money market. The rapid seasonal expansion in business loans normally ends about the turn of the year; continued purchases of government securities to avoid undue strain in the money market was not indicated for the immediate future; consequently, mid-January may have seemed an appropriate time to take action.

Another set of factors involves the debt management problems of the Treasury, the first of which is the refunding of the $8.9 billion certificate issue maturing next Feb. 15. The authorities may have concluded that a failure to raise the discount rate before the announcement of the financing terms would have contributed to continued unsettlement and uncertainty among the financial fraternity, in view of the fact that the possibility of an increase in the rate had received increasing attention in the early weeks of the year.

Whether the recent action of the Federal Reserve will be followed by more aggressive restrictive credit policy in the months ahead depends upon financial and economic developments. If, contrary to my expectations, we should experience a resurgence of inflationary pressures, characterized by competitive bidding for commodities, by a large accumulation of business inventories, and by a continued rise in bank loans in the next few months, normally a period of stability or decline in business loans, we might very well have an environment in which the authorities would give serious consideration to further restrictive action.

Credit policy is determined on the basis of appraisal of several facets of the economy; we must watch financial and economic developments for clues as to further action in the field of credit policy. The course of bank loans is an important factor. For example, if a contra-seasonal movement of business loans appears, chances of further restrictive credit policy action would be increased. A significant rise in commodity prices, speculative inventory accumulations, and excessive levels of private investment are among the broad economic criteria that are important; increases in these would again enhance the chances of further restrictive action. Finally, the course of money market rates and the levels of member bank borrowings may also provide some clues to the future.

Debt Management Policies

There is little doubt that the election presages a critical reexamination of our policies of debt management by people who are experts in the field, who are not possessed of a chronic low interest rate bias, and who are not committed to defending past policy decisions.

One of the big problems confronting the Secretary of the Treasury is to achieve a more balanced distribution of maturities of the public debt. While our economy obviousy requires a large volume of short-term, highly liquid investment media of prime quality, it seems generally agreed that the present supply is unnecessarily large, and the constant periodic refundings of large maturities complicate the task of the authorities in the exercise of their functions of credit control.

While a balanced maturity distribution cannot be attained in a few months, or even in a year or two, a modest start has been made which can be accelerated under the new Administration. In addition to the issuance of medium-term securities to replace some of the maturing short-term indebtedness of the Treasury, it seems a reasonable guess that consideration will be given, perhaps later in the year, to the issuance of a longer-term marketable bond to tap the nonbank market.

The important question in which we as bankers have a vital interest is how aggressively this policy of funding the short-term debt will be carried forward. It is my view

that while further moves will be made, the approach to the problem will be relatively careful and cautious, and that the funding operation will be so conducted as not to contribute to a significant decline in the government bond market or to the prospect of a continued upward movement in interest rates on government securities.

One reason for this point of view is that the problems encountered in funding the debt would be increased by a persistent downward trend in bond prices. Certainly, if the investment community became convinced that bond prices were going to sag significantly over the next year or two, they would not be too much interested in extending their maturities. This is true not only of nonbank investors but probably of bank portfolio managers as well. If bankers anticipate more attractive interest rates later, I doubt if they would be very eager to extend their maturities and to provide a substantial market for medium-term. Treasury obligations; to the contrary, they would probably prefer to remain in fairly short-term obligations.

Also, a significant disturbance in the bond market, especially if it continued for some period of time, might conceivably have broad economic effects that might be regarded as undesirable by the monetary and fiscal authorities. I have no doubt that a rather large market for a long-term marketable bond could be found, provided the Treasury were to put a sufficiently high coupon rate on the new issue. But the offering of a very large, high coupon, long-term marketable bond would have substantial repercussions not only in the government bond market but in the corporate bond market as well. It would doubtless upset the latter and also tend to reduce the supply of funds for real estate mortgage financing. If these unsettled conditions continued long enough, they could reduce the volume of new security offerings and thus the level of capital expenditures, building, construction, and employment.

All things considered, therefore, I would think an appropriate course of action would be to undertake the funding operation in a modest way after a careful appraisal of the supply of investment funds likely to be available. If this is the course that will be followed, we may see some weakness now and then in the bond market; but I doubt that we would experience a long-continued increase in long-term interest rates.

So, there are some guesses—I hope informed ones—for 1953. I recognize that it is probable that I shall get the reputation for a ruddy complexion because of the number of times my face will be red during the course of the year. At least, the check list of the factors affecting banking trends may be worth something to you. In any event, it has been a distinct pleasure to be afforded the opportunity to discuss these problems with you.

Merged With J. F. Perkins

FT. WORTH, Tex.—The investment business of the First Fort Worth Securities Company has been merged with that of J. F. Perkins & Company of Dallas, and will be continued in Fort Worth as a branch office of the Perkins company, under the direction of Pierre Mirc and Mildred Guinn Mirc.

Two With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Alfred Handfuss and Ted J. Sork have become affiliated with Francis I. du Pont & Co., 9640 Santa Monica Boulevard. Mr. Handfuss was previously with Dean Witter & Co. Mr. Sork was with Merril Lynch, Pierce, Fenner & Beane.

Continued from page 5

The State of Trade and Industry

are still present. Added to them is a strong hope for tax cuts (especially the so-called excess profits tax), junking of price controls, and labor peace. If all these things come to pass, 1953 could be an excellent year, for demand still shows no sign of failing, and it is generally conceded that the industry will enter the second half producing at or near its rated capacity, this trade weekly further states.

Steel consumers are still absorbing record shipments of finished items, with no sign of relaxing their aggressive procurement efforts. But there are indications that peacetime product relationships are beginning to be restored, declares this trade authority.

Steel Output Adversely Effected This Week By Strike at Inland Steel

At the same time domestic steel supply-demand balance is improving, offerings of foreign iron and steel are increasing, says "Steel," the weekly magazine of metalworking, the current week.

Growth of steel shipments from Japan has forced European steel almost off the West Coast market in galvanized sheets, black plate and plate, it states, adding, there's belief the rebuilt Japanese steel industry is potent competition for West Coast steel producers.

On the East Coast, Dutch foundry iron is now available for first-quarter delivery at prices not much above the domestic ones and the United States market is being felt out also for 50,000 tons of Scandinavian off-grade iron.

Further, some premium price sellers of plates are looking for customers—an indication of an easing in demand, this trade magazine notes.

Disappearance of frenzy from the steel market, along with good weather this winter, is contributing to a softening in demand, and in prices in some cases, for steelmaking scrap, continues "Steel."

A clue that continued improvement in the balance between supply and demand of steel in the United States is expected is the belief of the National Production Authority that government controls on steel production and usage should end April 1. Also, the government is increasing second-quarter steel allotments for some consumer durable goods, this trade weekly states.

Despite the signs of continued movement toward a balance between supply and demand throughout all steel products, consumers will still have to contend for awhile with shortages of the most-wanted products such as large bars, heavy plates, seamless tubing, wide flange beam, hot-rolled and cold-rolled carbon sheets and nickel-bearing grades of stainless steels.

Helping restore balance between supply and demand is the steel industry's high production rate. When all the figures are tallied for January they will show a new all-time monthly record of steel production, close to 10 million net tons for ingots and castings, concludes "Steel" magazine.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 95.6% of capacity for the week beginning Feb. 2, 1953, equivalent to 2,154,000 tons of ingots and steel for castings. In the week starting Jan. 26, the actual rate was 99.4% of capacity and output totaled 2,240,000 tons. A month ago actual output stood at 98.2%, or 2,213,000 tons, while a year ago when the capacity was smaller actual output was 2,079,000 tons, or 100.1%.

Electric Output Points Slightly Upward in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 31, 1953, was estimated at 8,150,534,000 kwh., according to the Edison Electric Institute.

The current total was 6,460,000 kwh. above that of the preceding week when output totaled 8,144,074,000 kwh. It was 578,102,000 kwh., or 7.6% above the total output for the week ended Feb. 2, 1952, and 51,149,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Decline 1.1% Below Preceding Week

Loadings of revenue freight for the week ended Jan. 24, 1953, totaled 697,641 cars, according to the Association of American Railroads, representing a decrease of 7,838 cars, or 1.1% below the preceding week.

The week's total represented a decrease of 30,374 cars, or 4.2% below the corresponding week a year ago, and a decrease of 86,525 cars, or 11% below the corresponding week in 1951.

United States Auto Output Makes Further Gains In Past Week

Passenger car production in the United States last week advanced to its highest point in 12 weeks, according to "Ward's Automotive Reports."

It aggregated 118,005 cars compared with 113,795 cars (revised) in the previous week and 71,687 cars one year ago.

Total output for the past week was made up of 118,005 cars and 23,734 trucks built in the United States, against 113,795 cars and 26,810 trucks the previous week and 71,687 cars and 24,637 trucks in the comparable 1952 week.

Canadian plants turned out 7,292 cars and 1,720 trucks against 7,276 cars and 1,740 trucks in the prior week and 3,203 cars and 2,875 trucks in the comparable 1952 week.

Business Failures Ease Slightly in Latest Week

Commercial and industrial failures declined slightly to 162 in the week ended Jan. 29 from 173 in the preceding week, Dun & Bradstreet, Inc., states. Casualties were about even with 1952 and 1951 when 164 and 159 occurred, but they were only one-half as numerous as in prewar 1939 when the toll was 318 in the comparable week of that year.

Food Price Index Registers First Decline in Six Weeks

The Dun & Bradstreet wholesale food price index turned lower last week to mark the first drop in six weeks. The index fell to $6.22 on January 27, from $6.25 a week earlier. It was the lowest in four weeks, and compared with $6.61 on the corresponding date a year ago, or a decline of 5.9%.

The Dun & Bradstreet wholesale food price index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Moved in a Narrow Range Last Week

The general price level, as measured by the Dun & Bradstreet daily wholesale commodity price index, moved within a fairly narrow range last week. The index closed at 279.32 on Jan. 27, comparing with 279.58 a week earlier, and with 308.63 on the corresponding date last year.

Prices of leading grains declined the past week following the strength shown the week before. Weakness in wheat reflected less active domestic and export demand but some support developed at times due to reports of heavy impoundings of cash grain under the government loan and continued unfavorable winter wheat crop prospects. Corn was under considerable pressure as mild weather in the Mid-West and heavy offerings of CCC corn discouraged buying. Trading in grain futures on the Chicago Board of Trade slackened and dropped to a daily average of 39,300,000 bushels last week, from 51,800,000 the week before, and 41,800,000 a year ago.

Domestic flour business last week continued quiet as large bakers and jobbers showed little interest in buying beyond their prompt requirements. Independent bakers, whose stocks were running low, bought moderate to fair-sized lots of hard winter and spring wheat flours toward the end of last week. Cocoa finished slightly higher as moderate trade demand encountered limited offerings. Warehouse stocks of cocoa declined to 71,447 bags, from 77,117 bags a week ago, and compared with 90,481 bags on the corresponding date last year. Coffee prices remained steady and firm in rather quiet trading. Roaster demand was confined largely to actual needs.

Domestic and world sugar markets developed a firmer tone at the week-end but some easiness was noted at the beginning of this week as grinding got under way in Cuba.

Live hog prices rose only slightly despite a substantial decline in market receipts.

Spot cotton prices scored moderate net grains the past week following irregular fluctuations during the period. Trading was more active in most markets and some improvement was noted in both domestic and export price-fixing but sustained support was lacking. The Bureau of the Census reported ginnings of 1952 crop cotton to Jan. 16 had reached 14,715,000 running bales, indicating only a small quantity remaining to be ginned to reach the estimated crop of 14,895,000 bales. Mill demand for cotton was better and mill buying was more active than for many weeks. Reported sales in the ten spot markets last week amounted to 159,500 bales, comparing with 137,700 bales the previous week, and 192,100 in the corresponding week a year ago.

Farmers continued to place cotton into the government loan program in large volume.

Entries during the week ending Jan. 16 totaled 200,000 bales, the highest for any week this season. For the season through Jan. 16 there were 1,440,000 bales entered into the loan, as against 871,000 bales to the same date last year.

Trade Volume Lifted Mildly Higher in Latest Week

Retail volume rose slightly from the previous week and remained above a year ago in the period ended on Wednesday of last week. Promotions were extensive and price cuts were announced in almost every line. While credit terms remained exceedingly liberal, instalment buying declined somewhat from the preceding periods.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% higher than a year ago. Regional estimates varied from the year ago levels by the following percentages: New England, Midwest and Southwest +2 to +6; East and Pacific Coast +1 to +5; South and Northwest +3 to +7.

Consumers evoked more interest in spring apparel and sales increased slightly.

The rise was caused mainly by extensive fashion and price promotions.

Women's coats and suits were in increasing demand. Purchases of nylon and orlon blouses continued to be higher than a year ago.

Total dollar volume of food was slightly above a year ago, while unit volume was substantially above the comparable 1952 levels. Lower prices for meat, produce and dairy products resulted in increased sales. Chain stores and large independent supermarkets stressed the sharp decrease in meat prices in their weekly advertisements. Beef prices were estimated at being about 10% below a year ago.

Volume in house-furnishings was almost unchanged from a year ago and slightly above a week ago. Furniture, bedding, appliances and floor coverings were in wide demand.

Following the Presidential inauguration, volume in television sets dipped slightly in most parts of the country.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Jan. 24, 1953, increased 4% from the level of the preceding week. In the previous week an increase of 2% was reported from that of the similar week of 1952. For the four weeks ended Jan. 24, 1953, an increase of 1% was reported. For the year 1952, department store sales registered an increase of 1% above 1951.

Retail trade in New York last week held about even with the like period a year ago, trade observers report.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 24, 1953, decreased 5% below the like period of last year. In the preceding week an increase of 2% (revised) was reported from that of the similar week of 1952, while for the four weeks ended Jan. 24, 1953, a decrease of 5% was recorded. For the year 1952, volume declined 7% under the preceding year.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ ACF-Brill Motors Co.
Feb. 3 (letter of notification) 30,000 common stock purchase warrants. **Price**—At market (approximately $1.25 per share). **Proceeds** — To Allen & Co., New York. **Underwriter**—None, the warrants to be offered through one or more member firms of the American Stock Exchange.

American Alloys Corp., Kansas City, Mo.
Dec. 15 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—McDonald-Evans & Co., Kansas City, Mo.

American Pipeline Producers, Inc.
Jan. 5 (letter of notification) 599,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To drill wells. **Office**—Room 308, Texas Eastern Bldg., Shreveport, La. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ Audio & Video Products Corp.
Jan. 23 (letter of notification) 38,000 shares of common stock (par one cent). **Price**—At market (about 35 cents per share). **Proceeds**—To a group of selling stockholders. **Office**—730 Fifth Ave., New York 22, N. Y. **Underwriter**—None.

Automobile Banking Corp., Philadelphia, Pa.
Jan. 15 (letter of notification) 29,000 shares of 6% cumulative preferred stock, series A, of which a maximum of 15,927 shares were offered on Jan. 27 (for a 30 day period) first for subscription by class A and common stockholders at rate of one new share for each five old share held (with an oversubscription privilege). **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Bioren & Co., and H. G. Kuch & Co., both of Philadelphia, Pa.

Baker Properties, Inc., Minneapolis, Minn.
Jan. 26 filed 5,181 shares of common stock (par $1) and "deferred obligations" to pay an aggregate of $333,492.75. **Proceeds** — To defray cost of making payment of deferred obligations issued pursuant to the warrants and, if there is excess, for working capital. **Business**—Real estate. **Office**—510 Baker Bldg., Minneapolis, Minn. **Underwriter**—None.

★ Bi-Metals Corp., Cleveland, Ohio
Jan. 27 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment and working capital. **Office** — 1302 Ontario St., Cleveland 13, Ohio. **Underwriter**—None.

Big Basin Oil, Inc., Holyoke, Colo.
Dec. 8 (letter of notification) 1,100,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To repay notes, and for drilling expenses and new equipment. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ Bishop Equipment Co., Washington, D. C.
Jan. 21 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—5104 MacArthur Blvd., N.W., Washington, D. C. **Underwriter**—None.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

★ Brunner Manufacturing Co.
Jan. 26 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (about $5.37½ per share). **Proceeds**—To improve plant and for new machinery. **Office**—1821 Broad St., Utica, N. Y. **Underwriter**—None.

★ Budget Loan Co., Inc., Mt. Rainier, Md.
Jan. 26 (letter of notification) 6,000 shares of 6% cumulative preferred stock and 3,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To increase capital. **Office** — 3424 Rhode Island Ave., Mt. Rainier, Md. **Underwriter**—None.

Bunker-Chance Mining Co., Portland, Ore.
Jan. 12 (letter of notification) 1,000,000 shares of class B assessable stock. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—6485 N. W. St. Helens Road, Portland, Ore. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed temporarily.

• Canadian Prospect Ltd. (2/6)
Nov. 24 filed 303,595 shares of common stock (par 33⅓ cents), of which 235,000 shares are to be issued upon exercise of share rights and 68,595 shares are to be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To company to be used for operating expenses to pay for future exploration and development of leases, etc. **Underwriters**—White, Weld & Co., New York, for an undetermined number of shares; balance through a Canadian underwriter to be named later.

★ Carborundum Co., Niagara Falls, N. Y. (2/26)
Feb. 4 filed 271,940 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—The First Boston Corp., New York.

Case (J. I.) Co., Racine, Wis. (2/11)
Jan. 21 filed $25,000,000 of 25-year debentures due Feb. 1, 1978. **Price** — To be supplied by amendment. **Proceeds**—To retire short-term bank loans and for working capital. **Underwriters** — Morgan Stanley & Co. and Clark, Dodge & Co., both of New York.

★ Central States Paper & Bag Co., St. Louis, Mo.
Jan. 22 (letter of notification) 13,000 shares of common stock. **Price**—$18 per share. **Proceeds**—For improvements. **Office**—5221 Natural Bridge Blvd., St. Louis, Mo. **Underwriter**—None.

★ Cinerama, Inc., New York
Feb. 4 filed $2,000,000 of 4% convertible debentures due 1958. **Price**—At principal amount. **Proceeds**—For working capital. **Underwriter**—Gearhart & Otis, Inc., New York.

★ Coastal Finance Corp., Silver Spring, Md.
Jan. 21 (letter of notification) 12,000 shares of $150 cumulative convertible preferred stock and 1,000 shares of class A common stock. **Price**—Of preferred, $24 per share; and of common, $10 per share. **Proceeds**—To make loans. **Office**—321 Eig Bldg., 8641 Colesville Rd., Silver Spring, Md. **Underwriter** — Rouse, Brewer & Becker, Washington, D. C.

Code Products Corp., Philadelphia, Pa.
Dec. 1 filed 500,000 shares of 6% cumulative preferred stock (par $1) and 255,000 shares of common stock (no par—stated value $1) to be sold in units of two shares of preferred and one share of common stock. **Price**—$3 per unit. **Proceeds** — For working capital. **Business** — Manufactures electrical equipment. **Underwriter**—None. Company intends to offer securities to broker-dealers for public offering.

★ Commonwealth, Inc., Portland, Ore.
Jan. 13 (letter of notification) 27,000 shares of common stock to be offered for subscription first by present stockholders. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — Equitable Bldg., Portland 4, Ore. **Underwriter**—None.

★ Commonwealth Oil Co., Miami, Fla.
Jan. 26 (letter of notification) 5,000 shares of common stock (par one cent). **Price**—$3.87½ per share. **Proceeds**—To C. Dale Armour, the selling stockholder. **Underwriter**—Gordon Graves & Co., New York.

★ Community Credit Co., Omaha, Neb.
Jan. 26 (letter of notification) 1,500 shares of 5½% cumulative sinking fund preferred stock, series A. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Consolidated Edison Co. of New York, Inc. (2/17)
Jan. 16 filed $40,000,000 of first and refunding mortgage bonds, series I, due Feb. 1, 1983. **Proceeds**—To repay $22,000,000 bank loans and the balance to reimburse the treasury, in part, for expenditures made in connection with company's construction program. **Underwriters**—To be determined by competitive bidding. Probable

NEW ISSUE CALENDAR

February 5, 1953
International-Great Northern RR. .... Equip. Trust Ctfs.
(Bids noon CST)

February 6, 1953
Canadian Prospect Ltd. .... Common
(White, Weld & Co. in United States)
Diamond Alkali Co. .... Debentures
(The First Boston Corp.)
English Oil Co. .... Common
(J. A. Hogle & Co)

February 9, 1953
Baltimore & Ohio RR. .... Equip. Trust Ctfs.
(Bids noon EST)
Home Improvement Financing Corp. .... Common
(George A. Searight)
Tennessee Gas Tranmission Co. .... Bonds
(Bids 11:30 a.m. EST)

February 10, 1953
May Department Stores Co. .... Debentures
(Goldman, Sachs & Co. and Lehman Brothers)
New York, Chicago & St. Louis RR .... Bonds
(Bids to be invited)

February 11, 1953
Case (J. I.) Co. .... Debentures
(Morgan Stanley & Co. and Clark, Dodge & Co.)
Equitable Gas Co. .... Preferred
(The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.)
Food Fair Stores, Inc. .... Debentures
(Eastman, Dillon & Co.)
Gulf Insurance Co. .... Common
(Offering to stockholders—no underwriter)

February 16, 1953
Frito Co. .... Preferred
(Dittmar & Co.)
Niagara Mohawk Power Corp. .... Common
(Bids to be invited)
Texas Oil Exploration Co. .... Common
(Peter W. Spiess Co.)

February 17, 1953
Con. Edison Co. of New York, Inc. .... Bonds
(Bids 11 a.m. EST)
Iowa Southern Utilities Co. .... Bonds
(Bids 11 a.m. EST)

February 18, 1953
Niagara Mohawk Power Corp. .... Bonds
(Bids to be invited)
South Carolina Electric & Gas Co. .... Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.)

February 19, 1953
Illinois Central RR. .... Equip. Trust Ctfs.
(Bids noon CST)

February 20, 1953
Lehman Corp. .... Common
(Lehman Brothers)

February 25, 1953
Maryland Casualty Co. .... Common
(Offering to stockholders—underwriters may include Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Lehman Brothers; and Paine, Webber, Jackson & Curtis)

February 26, 1953
Carborundum Co. .... Common
(The First Boston Corp.)

March 2, 1953
Central RR. of New Jersey .... Equip. Trust Ctfs.
(Bids to be invited)

March 3, 1953
New England Power Co. .... Preferred
(Bids to be invited)

March 4, 1953
New York Central RR. .... Equip Trust Ctfs.
(Bids to be invited)

March 9, 1953
Arizona Public Service Co. .... Common
(The First Boston Corp. and Blyth & Co., Inc.)

March 10, 1953
Narragansett Electric Co. .... Bonds
(Bids to be invited)

March 17, 1953
Mississippi Power & Light Co. .... Bonds
(Bids to be invited)

March 24, 1953
Dallas Power & Light Co. .... Bonds
(Bids to be invited)
Georgia Power Co. .... Bonds & Preferred
(Bids 11 a.m. EST)

March 25, 1953
Southern Indiana Gas & Electric Co. .... Common
(May be Smith, Barney & Co.)

March 27, 1953
Merritt-Chapman & Scott Corp. .... Common
(Offering to stockholders—no underwriter)

March 31, 1953
California Electric Power Co. .... Common
(Bids to be invited)

April 7, 1953
California Electric Power Co. .... Bonds
(Bids to be invited)
Florida Power & Light Co. .... Bonds
(Bids to be invited)

April 13, 1953
Texas Electric Ser. Co. .... Bonds & Preferred
(Bids to be invited)

April 14, 1953
New Orleans Public Service Inc. .... Bonds
(Bids to be invited)

April 15, 1953
Southern Co. .... Common
(Bids 11 a.m. EST)

May 12, 1953
Alabama Power Co. .... Bonds
(Bids 11 a.m. EST)

June 9, 1953
Gulf Power Co. .... Bonds
(Bids 11 a.m. EST)

bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 17.

★ Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York.

★ Dantz Run Development Co., Inc. (Pa.)
Feb. 3 (letter of notification) 950 non-assessable common shares. **Price**—At par ($100 per share). **Proceeds**—For drilling for oil and gas and for acquisition and sale of oil and gas leases. **Offices**—9 Main St., Galeton, Pa. **Underwriter**—None.

Detroit Hardware Manufacturing Co.
Dec. 22 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (approximately $3.25 per share). **Proceeds**—To Detroit Trust Co., co-executor of the Estate of Fred Schrey. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

Diamond Alkali Co. (2/6)
Jan. 21 filed $15,000,000 sinking fund debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—To retire $5,800,000 of 2% notes and short-term bank loans and for capital expenditures. **Underwriter**—The First Boston Corp., New York.

★ Dyna-Matic Furnace Corp., Cleveland, Ohio
Jan. 23 (letter of notification) 7,500 shares of preferred stock (par $30) and 3,750 shares of common stock (par $1) to be offered in units of two shares of preferred stock and one share of common stock. **Price**—$61 per unit. **Proceeds** — To develop and redesign franchise sales. **Office**—6523 Euclid Avenue, Cleveland 3, Ohio.—**Underwriter**—None.

Econo Products Co., Inc.
Jan. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Office** — 17 State St., New York. **Underwriter**—James T. Dewitt & Co., Inc., Washington, D. C.

Ekco Oil Co., Philadelphia, Pa.
Dec. 4 (letter of notification) 99,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—To acquire leases and drill wells. **Underwriter**—Hopper, Soliday & Co., Philadelphia, Pa.

English Oil Co., Salt Lake City, Utah (2/6)
Jan. 5 filed 3,435,583 shares of common stock, of which 750,000 shares are to be offered publicly, 250,000 shares are to be reserved for officers and key employees and options, and 2,435,583 shares in exchange for oil and gas properties and interests therein. **Price**—At par ($1 per share). **Proceeds**—For acquisition of additional properties and leases. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Equitable Gas Co., Pittsburgh, Pa. (2/11)
Jan. 21 filed 100,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner and Beane, and White, Weld & Co., all of New York.

Erie Meter Systems, Inc., Erie, Pa.
Dec. 9 (letter of notification) $300,000 of 15-year 6% sinking fund debentures dated Nov. 1, 1952 and due Nov. 1, 1967. **Price**—At par and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Office**—1602 Wagner Avenue, Erie, Pa. **Underwriter**—None, Smith & Root, Erie, Pa., will act as distributor.

★ Fall River Electric Light Co.
Jan. 29 filed $6,800,000 of first mortgage and collateral trust bonds due Jan. 1, 1983. **Proceeds**—To redeem $2,000,000 of 3⅛% bonds and to repay $4,800,000 of bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received sometime in March at 49 Federal St., Boston, Mass.

★ FluiDyne Engineering Corp., Minneapolis, Minn.
Jan. 28 (letter of notification) 600 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—For operating equipment. **Office** — 425 North 7th St., Minneapolis, Minn. **Underwriter**—None.

First Securities Corp., Philadelphia, Pa.
Jan. 21 (letter of notification) 600,000 shares of common stock (par one cent) which includes 22,190 shares being reoffered to the previous purchasers. **Price**—25 cents per share. **Proceeds** — For expansion of business and for working capital. **Underwriter** — First Securities Corp., Philadelphia, Pa.

● Food Fair Stores, Inc. (2/11)
Jan. 21 filed $12,500,000 of 20-year sinking fund debentures due Feb. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To repay $7,000,000 bank loans and to acquire additional facilities. **Underwriter**—Eastman, Dillon & Co., New York.

Foster Wheeler Corp.
Jan. 5 filed 30,032 shares of common stock (par $10) to be offered to certain officers and other key employees of corporation and its subsidiaries under a "Restricted Stock Option Plan."

Frito Co., Dallas, Tex. (2/16-17)
Jan. 26 filed 115,000 share of convertible preferred stock (par $7.50), of which 85,000 shares will be offered publicly and 30,000 shares to employees. **Price** — To public, $10 per share; to employees, $9 per share. **Proceeds**—For expansion of business and general corporate purposes. **Business**—Manufacture and sale of food products. **Underwriter**—Dittmar & Co., San Antonio, Tex.

★ Fuller Brush Co., Hartford, Conn.
Jan. 29 (letter of notification) 3,000 shares of preferred stock. **Price**—At par ($100 per share). **Proceeds** — For working capital. **Office**—3580 Main St., Hartford, Conn. **Underwriter**—None.

★ Goldblatt Bros., Inc., Chicago, Ill.
Jan. 26 (letter of notification) $300,000 of contributions to the corporation's Savings and Profit Sharing Pension Plan.

★ Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

★ Group Securities, Inc., Jersey City, N. J.
Feb. 2 filed 1,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Distributors Group, Inc., New York.

Gulf Insurance Co., Dallas, Tex. (2/11)
Jan. 19 (letter of notification) 5,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record Feb. 11 on basis of one new share for each 35 shares held; rights to expire on or about March 3. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Address**—P. O. Box 1771, Dallas, Tex. **Underwriter**—None.

Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), to be offered for subscription by stockholders of record Dec. 22, 1952, on a pro rata basis; rights to expire on Feb. 28, 1953. The offering will include 50,000 shares to directors, officers and employees of the company and to certain individuals and firms in payment for services. Price — $5.75 per share. Proceeds — For engineering and construction of prototype coaxial helicopter. Office—St. James, L. I., N. Y. Underwriter—None.

Hemisphere Western Oil Co.
Dec. 3 (letter of notification) 1,196,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To acquire working interest in oil wells. **Office**—Cravens Bldg., Oklahoma City, Okla. **Underwriter**—Winner & Meyers, Lock Haven, Pa.

Holiday Plastics, Inc., Kansas City, Mo.
Dec. 10 (letter of notification) 3,799 shares of common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Office**—410 East 27th Street Terrace, Kansas City, Mo. **Underwriter** — Prugh, Combest, & Land, Inc., Kansas City, Mo.

★ Home Improvement Financing Corp. (2/9)
Jan. 30 (letter of notification) 200,000 shares of class A common stock (par 50 cents). **Price**—$1.50 per share **Proceeds**—For construction of home improvements and time financing in connection therewith. **Office**—240 West Front St., Plainfield, N. J. **Underwriter** — George A. Searight, New York.

● Hooker Electrochemical Co.
Jan. 15 filed 97,147 shares of $4.20 cumulative convertible second preferred stock, series B (no par) being offered for subscription by common stockholders of record Feb. 3 on the basis of one new preferred shares for each 10 shares of common stock held; rights to expire Feb. 18. **Price**—$100 per share. **Proceeds**—For expansion program and working capital. **Underwriter** — Smith, Barney Co., New York.

★ Hycon Manufacturing Co., Pasadena, Calif.
Jan. 21 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—At market (approximately $1 per share). **Proceeds**—To J. M. White and F. D. Gearhart, Jr., selling stockholders. **Office**—2961 East Colorado St., Pasadena, Calif. **Underwriter**—None, but sales may be handled through White & Co., St. Louis, Mo., and Gearhart & Otis, Inc., New York.

Iowa Southern Utilities Co. (2/17)
Jan. 21 filed $7,000,000 first mortgage bonds due Feb. 1, 1983. **Proceeds**—For additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Lehman Brothers, Bear, Stearns & Co., Equitable Securities Corp., and Salomon Bros. & Hutzler (jointly); White, Weld & Co. **Bids** — Scheduled to be opened at 11 a.m. (EST) on Feb. 17.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

★ Jewett & Sherman Co., Milwaukee, Wis.
Jan. 27 (letter of notification) 1,650 shares of common stock (par $20), to be offered for subscription by stockholders. **Price**—$50 per share. **Proceeds**—For working capital. **Office**—106 West Florida St., Milwaukee 1, Wis. **Underwriter**—None.

Kellogg Petroleum Products, Inc.
Jan. 14 (letter of notification) 1,221 shares of capital stock (no par) being first offered for subscription by stockholders of record Dec. 26, 1952, at rate of one new share for each 2.4 shares held; rights to expire Feb. 11. **Price**—$125 per share. **Proceeds**—For working capital. **Underwriters**—None, but Hamlin & Lunt, Buffalo, N. Y., will offer any unsubscribed shares.

★ Kenya Gem Corp. (Pa.)
Jan. 27 (letter of notification) 100,000 shares of common stock (no par). **Price**—$1 per share. **Proceeds**—To finance time payment sales and to expand facilities. **Office**—10 East Coulter St., Philadelphia 44, Pa. **Underwriter**—None.

★ Lehman Corp., New York (2/20)
Jan. 30 filed 37,800 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Estate of Allan S. Lehman, deceased. **Underwriter**—Lehman Brothers, New York.

● Louisville Gas & Electric Co. (Ky.)
Jan. 8 filed 200,000 shares of common stock (no par) being offered for subscription by common stockholders of record Jan. 29 at rate of one new share for each seven shares held; rights expire Feb. 17. **Price**—$36.50 per share. **Proceeds**—For property additions and improvements. **Underwriters**—Lehman Brothers and Blyth & Co., Inc., both of New York.

Magma King Manganese Mining Co.
Nov. 12 (letter of notification) 553,500 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office** — 532 Security Bldg., Phoenix, Ariz. **Underwriter**—Weber-Millican Co., New York.

★ Management Funds, Inc., Jersey City, N. J.
Jan. 29 (letter of notification) $100,000 of 3-year 7% registered bonds. **Price**—In units of $500 each. **Proceeds**—To purchase retail installment contracts and other types of commercial financing. **Office** — 26 Journal Square, Jersey City 6, N. J. **Underwriter**—None.

★ Massachusetts Investors Growth Stock Fund, Inc., Boston, Mass.
Feb. 2 filed 500,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass.

May Department Stores Co. (2/10)
Jan. 21 filed $25,000,000 of sinking fund debentures due Feb. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To refund part of debt and for expansion and working capital. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par **25 cents). Price—$2 per share. Proceeds — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. Underwriter—B. V. Christie & Co., Houston, Tex. Dealer Relations Representative—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. Offering—Date indefinite.**

★ McCormick & Co., Inc., Baltimore, Md.
Jan. 21 (letter of notification) 700 shares of 5% cumulative preferred stock (par $100), 1,670 shares of common stock (no par) and 5,843 shares of common non-voting stock (no par). **Price** — For preferred, at par; and for common stocks, $30 per share. **Proceeds** — For working capital. **Office**—414 Light St., Baltimore 2, Md. **Underwriter**—None.

★ McCutcheon Distributing Co., Inc.
Jan. 29 (letter of notification) 29,900 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For organizational expenses, equipment and working capital. **Office**—215-219 Twelfth St., Pittsburgh, Pa. **Business**—To distribute home laundry electrical appliances manufactured by Whirlpool Corp. **Underwriter**—None.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ Minerals Engineering Co., Grand Junction, Colo.
Jan. 26 (letter of notification) 19,500 shares of common stock (par $1) and $296,250 of 5-year 8% debentures (1,500 units) to be offered for subscription by present stockholders. **Price**—$197.50 per unit. **Proceeds** — For construction of concentrating mill. **Office** — 801 Fourth Ave. (P. O. Box 957), Grand Junction, Colo. **Underwriter**—None.

Mines Management, Inc., Wallace, Idaho
Jan. 19 (letter of notification) 400,000 shares of common stock. **Price**—75 cents per share. **Proceeds**—For exploration and development. **Offices**—507 Bank St., Wallace, Idaho, and W. 909 Sprague Ave., Spokane, Wash. **Underwriter**—None.

● Minneapolis Gas Co.
Jan. 7 filed 163,247 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each eight shares held on Jan. 23; rights to expire on Feb. 9. **Price**—$20 per share. **Proceeds**—To retire 5,841 shares of $6 preferred stock (at an estimated cost of $613,305) and for new construction. **Underwriter**—Kalman Co., Inc., Minneapolis, Minn.

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★ New England Power Co. (3/3)
Feb. 4 filed 80,140 shares of new cumulative preferred stock (par $100) to be offered for subscription by present holders of 6% preferred stock on a share for share basis; rights to expire March 23. **Price** — To be supplied by amendment. **Proceeds** — For repayment of bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers. **Bids**—Tentatively scheduled to be received on March 3.

★ Newton-Phoenix Oil Corp., Houston and New York
Feb. 3 filed 2,500,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—To purchase land and for drilling expenses. **Underwriter** — Morris Cohon & Co., New York.

Niagara Mohawk Power Co. (2/16)
Jan. 23 filed 1,000,000 shares of common stock (no par). **Proceeds**—To retire part of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Feb. 16.

Niagara Mohawk Power Co. (2/18)
Jan. 23 filed $25,000,000 of general mortgage bonds due February, 1983. **Proceeds**—To repay, in part, $40,000,000 of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received on Feb. 18.

Nielco Chemicals, Inc., Detroit, Mich.
Nov. 19 (letter of notification) 34,800 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

★ North Central Airlines, Inc., Minneapolis, Minn.
Jan. 28 (letter of notification) 91,851 shares of common stock (par $1). **Price** — Estimated at $3.25 per share. **Proceeds**—To discharge bank loan. **Underwriter**—Brew Emch Jenkins Co., Milwaukee, Wis.

Northland Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

Nyal Co., Detroit, Mich.
Dec. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay loans and for working capital. **Underwriter**—Gearhart & Otis, Inc., New York.

Overland Oil, Inc., Denver, Colo.
Dec. 23 filed 300,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—To make geological survey of land. **Business**—Oil and gas exploration. **Underwriter**—None.

Paley Manufacturing Corp., Brooklyn, N. Y.
Jan. 16 (letter of notification) 99,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Underwriter**—G. K. Shields & Co., New York.

• Pan American Sulphur Co.
Dec. 24 filed 490,325 shares of capital stock (par 70 cents) being offered for subscription by stockholders at rate of one new share for each 2½ shares held as of Feb. 4; rights to expire Feb. 18. **Price**—$7 per share. **Proceeds**—For new construction and working capital. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg. 139 N. Virginia St., Reno, Nev.

Peruvian Oil Concessions Co., Inc., Dover, Del.
Jan. 16 filed 9,000,000 shares of common stock (par $1). **Price**—$1.10 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—None.

Phoenix-Campbell Corp., New York
Jan. 26 filed 40,000 shares of common stock purchase warrants and 40,000 shares of capital stock (par $1) reserved for issuance. **Price**—$10 per share for stock and five cents for the warrants. **Proceeds**—To engage in oil and gas business. **Underwriter**—Morris Cohon & Co., New York.

Powers Manufacturing Co.
Sept. 25 filed 250,000 shares of common stock (par $1), (later amended to 400,000 shares). **Price**—$2 per share. **Proceeds**—For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, sprockets, gears, etc. **Office**—Longview, Tex. **Underwriter**—Dallas Rupe & Sons, Dallas, Texas; and Straus, Blosser & McDowell, Chicago, Ill.

Ramie Corp., Philadelphia, Pa.
Jan. 23 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital, etc. **Business** — To process vegetable fibres. **Underwriter**—Grayson-Eigles Co., New York.

Regent Manufacturing Co., Inc., Downey, Calif.
Dec. 31 (letter of notification) $150,000 of first mortgage bonds, of which 130 units will be issued at $1,020 each and 40 units at $510 each. **Proceeds**—For building and equipment. **Office**—11905 Regentview Avenue, Downey, Calif. **Underwriter** — Hopkins, Harbach & Co., Los Angeles, Calif.

★ Retail Credit Co., Atlanta, Ga.
Jan. 22 (letter of notification) 4,000 shares of common stock (no par). **Price** — $75 per share. **Proceeds** — For new equipment. **Office**—90 Fairlie St., N. W., Atlanta, Ga. **Underwriter**—None.

Sapphire Petroleums Ltd., Toronto, Canada
Oct. 28 filed 50,000 shares of common stock (par $1—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To Ken Kelman, the selling stockholder, who will offer the shares from time to time either on the New York Curb Exchange or in the over-the-counter market. **Underwriter**—None.

Seymour Water Co., Seymour, Ind.
Jan. 12 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $25). **Price** — $26.50 per share. **Proceeds**—For improvements. **Underwriters**—Bankers Bond Co., Smart, Clowes & Oswald, Inc., and Wagner, Reid & Ebinger, Inc., all of Louisville, Ky.

Shirks Motor Express Corp. (Del.)
Jan. 8 (letter of notification) 20,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—Manheim Pike, Lancaster, Pa. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Simonds Saw & Steel Co., Fitchburg, Mass.
Jan. 15 (letter of notification) 1,000 shares of common stock (no par). **Price**—At market (approximately $40.50 per share). **Proceeds** — To Daniel Simonds, the selling stockholder. **Underwriter**—Townsend, Dabney & Tyson, Boston, Mass.

• South Carolina Electric & Gas Co. (2/18)
Jan. 28 filed 358,045 shares of common stock (par $4.50) to be offered to common stockholders of record Feb. 18 at rate of one new share for each seven shares held, with additional subscription privileges (including subscription privileges for holders of less than seven shares of outstanding common stock subject to allotment; rights to expire on March 4. **Price**—To be filed by amendment. **Proceeds** — For construction program. **Underwriter** — Kidder, Peabody & Co., New York.

• Southwestern Public Service Co.
Jan. 13 filed 293,462 shares of common stock (par $1) being offered for subscription by common stockholders of record Feb. 2 at the rate of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on Feb. 17. **Price** — $21.50 per share. **Proceeds** — For construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Sun Fire Insurance Co., Phoenix, Ariz.
Dec. 22 filed 1,000,000 shares of capital stock (par $1). **Price**—$1.50 per share. **Proceeds**—To qualify to do business in Arizona. **Underwriter**—None. Offering to be made initially to persent and future policyholders of company and to certain specified officers and directors.

★ Telepix Corp., Los Angeles, Calif.
Jan. 27 (letter of notification) 640 shares of preferred stock (par $10) and 300 shares of common stock (par $5). **Price**—For preferred, at par, and for common, $12.50 per share. **Proceeds** — To produce spot commercials for TV. **Office** — 1515 North Western Ave., Los Angeles, Calif. **Underwriter**—None.

Tennessee Gas Transmission Co. (2/9)
Jan. 16 filed $30,000,000 first mortgage pipeline bonds due Jan. 1, 1973. **Proceeds**—To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp., and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Feb. 9, at office of Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston Tex. **Underwriter**—To be named by amendment. **Offering**—Tentatively postponed. Statement may be withdrawn.

Texas Oil Exploration Co., Ft. Worth, Tex. (2/16)
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York

Texas Western Oil Co., Houston, Tex.
Nov. 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter** — Scott, Khoury & Co., Inc., New York. **Offering**—Expected in a week or two.

United Petroleum & Mining Corp., Bismarck, N. D.
Nov. 17 (letter of notification) 150,000 shares of class A voting stock and 150,00 shares of 4% class B non-voting stock. **Price**—$1 per share. **Proceeds**—To purchase oil and gas leases. **Office**—222 Main Street, Bismarck, N. D. **Underwriter**—John G. Kinnard & Co., Minneapolis, Minn

United Security Life, Phoenix, Ariz.
Dec. 2 (letter of notification) 75,000 shares of class A common stock (par $1) and 2,500 participating units to be sold in units of 30 shares and one participating unit. **Price**—$120 per unit. **Proceeds**—To increase capital and surplus. **Office**—7 Weldon, Phoenix, Ariz. **Underwriter**—Life Underwriters, Inc., Phoenix, Ariz.

Vitro Manufacturing Co., Pittsburgh, Pa.
Jan. 22 (letter of notification) 3,000 shares of common stock (par 50 cents). **Price**—At market (about $8 per share). **Proceeds**—To Wildey C. Rickerson, the selling stockholder. **Undewriter**—Francis I. du Pont & Co. and Tucker Anthony & Co., both of New York.

Vitro Manufacturing Co., Pittsburgh, Pa.
Jan. 26 (letter of notification) 3,000 shares of common stock (par 50 cents). **Price**—At market (about $8 per share.). **Proceeds** — To Wenman A. Hicks, the selling stockholder. **Underwriter** — None, sales to be handled through stockholder's brokers.

★ Washington Water Power Co., Spokane, Wash.
Jan. 23 (letter of notification) 11,500 shares of common stock (no par) to be offered for subscription by employees. **Price**—Approximately $26 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Penn Electric Co.
Dec. 19 filed 264,000 shares of common stock (no par) being offered for subscription by common stockholders of record Jan. 22, on a 1-for-15 basis; rights to expire on Feb. 9. **Price**—$34 per share. **Proceeds**—To purchase about $5,000,000 additional common stock of Monongahela Power Co. and for general corporate purposes. **Underwriters**—Carl M. Loeb, Rhoades & Co. won award of this issue on Jan. 21.

★ Western Electric Co., Inc.
Jan. 28 (letter of notification) 2,007.8 shares of common stock (no par), being offered for subscription by minority common stockholders of record Feb. 4 at rate of one new share for each 10 shares held; rights to expire on Feb. 27. American Telephone & Telegraph Co., the parent, will subscribe for an additional 1,047,992.2 shares. **Price**—$40 per share. **Proceeds**—For expansion and general corporate purposes. **Office**—195 Broadway, New York 7, N. Y. **Underwriter**—None.

Western Empire Oil Co., Denver, Colo.
Jan. 6 (letter of notification) 35,520 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To pay for options. **Office** — 222 Patterson Bldg., Denver, Colo. **Underwriter**—None.

Westshore Hospital, Inc., Tampa, Fla.
Dec. 3 (letter of notification) 30,000 shares of common stock (of which 1,250 shares will be issued to Dr. Samuel G. Hibbs and John R. Himes for services rendered). **Price**—At par ($10 per share). **Proceeds**—For property and equipment expenses. **Office**—349 Plant Ave., Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

Wyoming National Oil Co., Inc., Denver, Colo.
Nov. 17 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds** — For oil and gas leases. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

York-Hoover Corp., York, Pa.
Jan. 16 (letter of notification) 12,490 shares of common stock (par $10). **Price**—$8 per share. **Proceeds**—To nine selling stockholders. **Underwriters**—Butcher & Sherrerd and Stroud & Co., Inc., both of Philadelphia, Pa.

Prospective Offerings

★ Alabama Power Co. (5/12)
Jan. 28 it was reported company plans issuance and sale of $18,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Registration**—Planned for April 10. **Bids**—Tentatively expected at 11 a.m. (EST) on May 12.

★ Allied Chemical & Dye Corp.
Feb. 4 company announced that company plans to sell publicly not in excess of $200,000,000 principal amount of long-term sinking fund debentures through an underwriting group. **Proceeds**—To be used for expansion, working capital and other corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

Aluminium Ltd.
Oct. 15 directors expected that additional financing will be undertaken in 1953 to meet the major part of the increase in the estimated cost of the expansion program The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in stock offering to stockholders in Oct. 1951.

★ American Trust Co., San Francisco, Calif.
Jan. 28 it was announced company plans to sell publicly 31,294 additional shares of capital stock (par $10). **Price**—Expected at about $31.25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

● Arizona Public Service Co. (3/9-13)
Jan. 27 it was reported the company in February plans to sell privately $14,500,000 of first mortgage bonds and in the first half of March to issue and sell 378,000 additional shares of common stock (par $5). **Proceeds**—To finance 1953 construction program. **Underwriters**—For common, The First Boston Corp. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co.
Dec. 15 it was reported company may issue and sell probably in June, 1953, about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. and Central Republic Co. (jointly).

Baker-Raulang Co.
Jan. 12 it was reported company late in 1953 may sell about $800,000 to $1,000,000 convertible preferred or common stock. **Proceeds**—For working capital. **Underwriters**—May be Riter & Co.; Hemphill, Noyes & Co., both of New York.

Baltimore & Ohio RR. (2/9)
Bids will be received up to noon (EST) on Feb. 9 at company's office, 2 Wall St., New York City, for the purchase from it of $3,000,000 equipment trust certificates, series FF, to be dated Dec. 1, 1952 and due in 15 installments of $200,000 each on Dec. 1, from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

● Bank of the Manhattan Company
Feb. 2 company offered stockholders 250,000 additional shares of capital stock (par $10) at rate of one new share for each 10 shares held Jan. 30; rights to expire on Feb. 17. **Price**—$31 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

Big Horn-Powder River Corp., Denver, Colo.
Jan. 13 directors authorized an offering of 565,220 additional shares of capital stock first to stockholders on basis of one new share for each nine shares held. **Price**—To be named later. **Proceeds**—For drilling expenses. **Underwriter**—None.

● California Electric Power Co. (3/31)
Jan. 29 it was announced company plans to issue and sell approximately 136,000 shares of common stock (par $1). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Union Securities Corp. and J. A. Hogle & Co. (jointly). **Bids** — Tentatively scheduled to be received on March 31.

● California Electric Power Co. (4/7)
Jan. 29 it was announced company proposes the sale of $8,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on April 7.

● Central Maine Power Co.
Feb. 2 company sought SEC authority to issue and sell $10,000,000 of first and general mortgage bonds, series U, due March 1, 1983. **Proceeds**—To refund outstanding short-term notes and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co (jointly); Harriman Ripley & Co., Inc.; Salomon Bros & Hutzler. **Bids**—Tentatively expected to be received on March 10.

Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of first and general mortgage bonds, see above) after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

★ Central RR. of New Jersey (3/2)
Bids are expected to be received by this company on March 2 for the purchase from it of $2,460,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Charter Oil Co., Ltd.
Nov. 18, it was reported that company plans to offer and sell 900,000 additional shares of common stock (no par). **Price**—To be named later (around $1.70 per share). **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers and Bear, Stearns & Co. for about 800,000 shares; balance to be offered in Canada. **Offering** — Not expected until the end of January or early February.

Chicago Great Western Ry.
Jan. 9 William N. Deramus, 3rd, President, stated that the company is planning issuance and sale of $6,000,000 collateral trust bonds to be secured by $9,000,000 first mortgage bonds held in the treasury. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Culver Corp., Chicago, Ill.
Nov. 22 it was announced that company proposes to offer to stockholders on or about Jan. 26, 1953, a total of 23,640 additional shares of common stock on a share-for-share basis; rights to expire Feb. 9. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison Street, Chicago, Ill. **Underwriter**—None.

Dallas Power & Light Co. (3/24)
Dec. 15 it was reported company may issue and sell in March, 1953, about $9,000,000 of first mortgage bonds **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Registration**—Expected Feb. 16. **Bids**—Tentatively scheduled to be received on March 24.

Fitchburg Gas & Electric Co.
Jan. 23 it was announced company plans to issue and sell 23,698 additional shares of capital stock (par $25) to its stockholders on a 1-for-5 basis, subject to their approval on Feb. 25. **Proceeds**—To repay short-term borrowings.

Florida Power & Light Co. (4/7)
Jan. 7 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1983. **Proceeds**—To pay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.; White, Weld & Co. **Bids** — Expected April 7. **Registration**—Tentatively planned for March 2.

Follansbee Steel Corp.
Dec. 16, M. A. Follansbee, President, said the company plans additional equity financing, totaling about $4,500,000. This may be done through a rights offering to stockholders. **Proceeds**—Together with funds from proposed $29,500,000 RFC loan, would be used for expansion program. **Underwriters**—May include Cohu & Co., New York. **Offering**—Expected in February.

General Contract Corp.
Jan. 14 stockholders voted to approve a new issue of 500,000 shares of authorized 6% cumulative convertible preferred stock (par $10). These are to be first offered for subscription by common stockholders on the basis of about one-third share for each common share held; then to holders of 5% preferred stock (par $100) and of 5% preferred stock (par $20); thereafter to holders of 5% preferred stock, series A, (par $10); and any unsubscribed shares to public. **Proceeds**—To redeem $10 par 5% preferred stock (61,881 shares outstanding at Nov. 30, 1952) and for working capital. **Price**—$11 per share. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that its domestic subsidiaries may spend around $80,000,000 for new construction in 1953. Of this total, $15,000,000 will be provided internally leaving about $65,000,000 to be financed by the sale of securities. Subsidiaries expect to sell around $49,000,000 of bonds, debentures and preferred stocks and GPU will furnish about $16,000,000 to them. GPU expects to obtain the funds from bank loans, the sale of debentures, the sale of common stock or a combination of these. If present conditions continue well into next year, GPU would expect to offer additional shares to stockholders rather than resort to borrowing. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

★ Georgia Power Co. (3/24)
Jan. 28 it was reported company plans issuance and sale of $16,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. **Registration**—Planned for Feb. 20. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on March 24.

★ Georgia Power Co. (3/24)
Jan. 28 it was reported company plans issuance and sale of 100,000 shares of preferred stock (no par). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on March 24. **Registration**—Scheduled for Feb. 20.

★ Gulf Power Co. (6/9)
Jan. 28 it was reported company plans issuance and sale of $7,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Union Securities Corp.; Equitable Securities Corp. **Registration**—Planned for May 8. **Bids**—Tentatively expected at 11 a.m. (EST) on June 9.

Gulf States Utilities Co.
Jan. 16, it was announced company is planning to sell $6,000,000 in common stock in June and a certain amount of first mortgage bonds later in the year. **Proceeds**—For construction program, expected to cost between $26,000,000 and $28,000,000 this year. The exact amount of the bond offering has not yet been determined. **Underwriters**—For common stock to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co.

★ Illinois Central RR. (2/19)
Bids will be received up to noon (CST) on Feb. 19 at the company's office, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $4,500,000 equipment trust certificates, series 37 to be dated March 1, 1953, and to mature in 30 semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Indianapolis Power & Light Co.
Jan. 22 company sought authority of Indiana P. S. Commission to issue and sell $10,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; W. C. Langley & Co., White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Equitable Securities Corp.

★ International-Great Northern RR. (2/5)
Bids will be received by the trustee of the company in St. Louis, Mo., up to noon (CST) for the purchase from the company of $3,000,000 equipment trust certificates, series EE, to be dated Feb. 20, 1953, and to mature $300,000 each Feb. 20 from 1954 to 1958, inclusive, and $150,000 each Feb. 20 from 1959 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.

Jersey Central Power & Light Co.
Dec. 15 it was reported company plans to issue and sell $9,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Salomon Bros & Hutzler; Glore, Forgan & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Offering**—Probably in April, 1953.

Long Island Lighting Co.
Dec. 15 it was announced company has established a bank credit in the amount of $40,300,000 extending to Dec. 1, 1953, to be refinanced by the issuance of new securities. **Underwriters**—(1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For preferred stock, may be W. C. Langley & Co. (3) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
Dec. 15 it was announced company may issue and sell in mid-year about $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.

● Maine Central RR. (2/25)
Jan. 8 it was reported company may sell an issue of $17,000,000 of first mortgage and collateral bonds due 1983. **Proceeds**—For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders. Halsey, Stuart & Co. Inc.; Kidder Peabody & Co.; W. C.

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Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—Expected to be received on Feb. 25.

Maryland Casualty Co., Baltimore, Md. (2/25)
Jan. 8 it was announced the company plans to issue and sell about 400,000 shares common stock (par $1), rights going first to common stockholders of record Feb. 21 (probably on a one-for-two basis). **Underwriters**—May include Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Lehman Brothers; and Paine, Webber, Jackson & Curtis. **Offering**—Expected to be made about Feb. 25 or 26; with rights expiring about March 12. **Registration**—Scheduled for Feb. 5.

Merritt-Chapman & Scott Corp. (3/27)
Jan. 7, Ralph E. DeSimone, President, announced that primary rights would be issued to common stockholders of record March 27, 1953, to subscribe to additional common stock on basis of one new share for each five shares held (with an oversubscription privilege); rights will expire on April 14. There are presently outstanding 550,282 ($12.50 par) common shares, including shares reserved for scrip. **Proceeds** — For working capital. **Underwriter**—None.

Metropolitan Edison Co.
Dec. 15 it was reported company plans to issue and sell in May about $9,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly).

★ Middle South Utilities, Inc.
Feb. 3 it was reported company may later this year issue and sell about $15,000,000 of additional common stock. **Proceeds**—To repay bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly).

Mississippi Power & Light Co. (3/17)
Dec. 15 it was reported company may issue and sell in March about $12,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; The First Boston Corp. and W. C. Langley & Co (jointly). **Bids** — Tentatively expected on March 17. **Registration**—Expected Feb. 11.

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and the First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

● Narragansett Electric Co. (3/10)
Jan. 29 it was announced company has been authorized by Rhode Island P. U. Commission to issue and sell $10,000,000 first mortgage bonds, series D. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co.; Blyth & Co., Inc., and Harriman Ripley & Co. Inc. (jointly). **Bids**—Tentatively expected to be received on March 10.

New England Electric System
Jan. 22 it was announced stockholders on Feb. 24 will vote on increasing authorized common stock from 8,500,000 to 11,500,000 shares and on a provision to provide in connection with preemptive offerings to stockholders that cash or full share rights may be issued in lieu of rights to fractional shares.

New Jersey Power & Light Co.
Dec. 15 it was announced company plans issue and sale of about $4,000,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co. **Offering**—Probably in May.

New Orleans Public Service Inc. (4/14)
Dec. 15 it was reported company plans to sell about $10,000,000 of first mortgage bonds due 1983. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids** — Tentatively scheduled to be received on April 14.

★ New York Central RR. (3/4)
Feb. 3 it was reported company plans to issue and sell at competitive bidding on March 4 an issue of $9,375,000 equipment trust certificates due in instalments over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

New York, Chicago & St. Louis RR. (2/10)
Dec. 22 company announced it plans to sell $10,000,000 of refunding mortgage bonds due March 1, 1978. **Proceeds**—To retire $2,250,000 of short-term debt and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Morgan Stanley & Co.; Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Union Securities Corp. **Bids**—To be received on Feb. 10.

Oklahoma Gas & Electric Co.
Nov. 13 it was announced company plans to issue and sell additional common stock at about a one-for-ten basis (2,411,945 shares of common stock outstanding). **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. **Probable bidders**: Lehman Brothers; The First Boston Corp.; Smith, Barney & Co. and Harriman Ripley & Co., Inc.

Pacific Northern Airlines, Inc.
Dec. 19 it was reported company plans early registration of about 400,000 shares of common stock. **Proceeds**—Together with other funds, to be used to purchase additional equipment. **Underwriters**—Emanuel, Deetjen & Co. and Hayden, Stone & Co. (with latter handling books).

Pacific Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Peninsular Telephone Co.
Jan. 27 it was announced company plans to offer for subscription by its common stockholders one additional share for each five shares held (including the shares to be issued upon payment to common stockholders of record Feb. 9 of a 20% stock dividend). **Price**—To be named later. **Proceeds**—For new construction and additions to property. **Underwriters** — May be Morgan Stanley & Co., Coggeshall & Hicks and G. H. Walker & Co.

Pennsylvania Electric Co.
Dec. 15 it was reported company plans to issue and sell in June about $9,250,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody Co.; The First Boston Corp.; Equitable Securities Corp.

Pennsylvania Power & Light Co.
Jan. 23, Charles E. Oakes, President, announced that new financing this year will require the sale of from $20,000,000 to $25,000,000 of first mortgage bonds, with total financing for the four-year period running about $65,000,000. If sold competitively, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Smith, Barney & Co.

Public Service Electric & Gas Co.
Jan. 12 it was reported company plans issuance and sale in May of $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.

Public Service Electric & Gas Co.
Jan. 20, George H. Blake, President, announced that as a first step in raising funds to carry forward the company's construction program (to involve approximately $90,000,000 in 1953) it contemplates selling 750,000 shares of common stock during the latter part of March, 1953. **Underwriters**—Last public stock financing in 1952 was handled by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly).

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co.; For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Ravenna Metal Products Co., Seattle, Wash.
Jan. 27 it was reported company plans to issue and sell 20,000 shares of class A stock. **Price**—$15 per share. **Proceeds**—For expansion and working capital.

Rockland Light & Power Co.
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 preferred stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

San Diego Gas & Electric Co.
Dec. 29 it was reported that the company plans some new common stock financing in the near future. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Seligman & Latz, Inc., New York
Jan. 29 it was reported 268,500 shares of common stock are expected to be offered publicly. **Proceeds**—To selling stockholders. **Business** — Operators of leased beauty salons. **Underwriter**—Van Alstyne, Noel & Co., New York.

Smith (Alexander), Inc.
Jan. 16 it was announced company proposes to offer additional common stock to its common stockholders. Stockholders will vote April 15 on plan. **Underwriters**—May be Morgan Stanley & Co. and Dominick & Dominick, both of New York.

★ Southern Co. (4/15)
Jan. 28 it was reported company plans offering of about 1,000,000 additional shares of common stock (par $5) to stockholders of record about April 15 on a basis of one new share for each 17 shares held; rights to expire on May 7. **Price**—Expected to be named by company on April 13. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Equitable Securities Corp.; First Boston Corp.; Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co. Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Morgan Stanley & Co., and Union Securities Corp. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on April 15. **Registration**—Planned for March 13.

★ Southern Indiana Gas & Electric Co. (3/25)
Jan. 30 it was announced company has applied to Indiana P. S. Commission for authority to issue 114,167 additional shares of its common stock (no par), to be offered first to common stockholders of record March 25 on the basis of one new share for each six shares held; rights to expire on April 10. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Smith, Barney & Co. handled the last common stock offering in January, 1949.

● State Bank of Albany, N. Y.
Feb. 2 the bank offered to its stockholders 101,725 additional shares of capital stock (par $10) on the basis of one new share for each three shares held Jan. 29; rights to expire Feb. 20. **Price** — $25 per share. **Proceeds** — To increase capital and surplus. **Underwriter** — Salomon Bros. & Hutzler, New York.

Texas Electric Service Co. (4/13)
Dec. 15 it was reported company plans to issue and sell $9,000,000 first mortgage bonds due 1983 and 80,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For stock, Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc.; The First Boston Corp. (2) For bonds, Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Union Securities Corp.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Expected on April 13. **Registration**—Tentatively scheduled for March 5.

Texas Power & Light Co.
Dec. 15 it was reported company may sell about $11,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Offering**—Tentatively expected in May.

Texas Utilities Co.
Dec. 15 it was reported that following completion of proposed financing by Dallas Power & Light Co., Texas Electric Service Co. and Texas Power & Light Co., subsidiaries (which see) the parent plans to offer additional common stock to stockholders. **Underwriters** — Union Securities Corp., New York.

★ Washington Water Power Co.
Feb. 4 it was announced Electric Bond & Share Co. intends to sell in the near future at competitive bidding not more than 76,543 shares of common stock of Washington Water Power Co. (including shares which may have been purchased by Electric Bond & Share Co. in connection with stabilizing operations). Interested parties who desire to submit an offer should notify Lester Ginsberg, Vice-President of Electric Bond & Share Co., Two Rector St., New York 6, N. Y., not later than 11 a.m. (EST) on Feb. 5. Time and place at which bids will be received and opened will be announced later.

Continued from page 5

Observations . . .

General Eisenhower along with his advisers evidently has great confidence in the efficacy of measures like "development of our vast natural resources."

De-flation Side of the Medal

Furthering the prospect of de-flation there are also strong forces. For example, on the other side of the medal of the aforementioned pump-priming reserve, is the possibility that when the test actually comes, no make-work or credit-inflating measures will be effective to counteract a sudden cut-off of armament activities, to which is now ascribed 74% of the government's spending.

And we cannot rule out the possibility of some other wholly unexpected adverse development drastically altering the confident expectations of stability by businessmen and consumers. While indeed "this time may be different" we cannot forget that always in the Nation's history have such "going-through-the-wringer" aftermaths followed on great inflations.

Such deflations have invariably followed wars, although prices did subsequently rest on a plateau higher than their respective prewar level. After the Civil War the price level declined 28% in the first three years, and during the next decade of the 1870's fell another 15%. After World War I, from May, 1902, to June, 1922 wholesale prices were cut in half. Now exceptionally the wholesale price level is up close to its postwar peak, at a level higher than double prewar.

Specific elements now making for de-flation include:—declining net exports, falling farm income, falling inventory and other investment decline, prospective ending of the Excess Profits Tax; and, of great importance in its long-term impact on the price level, the nation's great achievement in enormously increasing productivity and investment in plant and equipment. The nation's chronic proclivity to over-producing in many lines (as perhaps even in man-made fibers now) functions as a pervasive depressant on the price level.

Of more immediate significance, the Administration through its definite economy orders given later this week, gave concrete evidence that the President's endorsement of harder money policies, deflationary rearrangement of the national debt, and promises of all-round retrenchment, are more than empty phrases.

We must also bear in mind that if the past buget be viewed on a cash basis, to include social security and other funds finding their way back into the government's accounts, the apparent deficits well-nigh became surpluses. Thus the total of national debt held by the public actually fell from $225 to $214 billion between 1947 and 1952.

Climate of Deflation

Beyond survey and analysis of the specific forces as the key to pick the winner in the inflation-deflation tug-of-war, the pervading public atmosphere can be significant, at least over the short-term. Popular psychology is now veering toward rising esteem for the dollar. One straw in this wind is the present improved placement of United States Series E Savings Bonds. Following the two-year decline in basic commodity prices and its current spread to manufactured goods, and the continued sagging of farm product prices despite the increased government crop loans, the hue and cry over currency depreciation seems to be changing to appreciably growing desire for the dollar. In the securities market, turnabout of the past reluctance to take profits on stocks may be furthered additionally by the rising yields on bonds and other fixed-interest media—mitigating the potential seller's "what shall I do with the money?" worry. While it is still true that current common stock levels generally are justifiable on value rather than on "inflation-hedge" criteria, nevertheless over the shorter-term an increase of deflationary psychology might well be controlling in moving prices below intrinsic value.

The Answer "By Ear"

Also disregarding appraisal of the inflation-deflation direction through the logical scientific counterbalancing of the conflicting factors, we embrace the honest conclusion that the answer must of necessity be largely arrived at "by ear." This is because of the effect of imponderables as well as the impossibility of comparative quantitative measurement of the conflicting factors. Incidentally—the buzzing in this observer's ear in the present atmosphere is de-flationary.

Gerity-Michigan Appoints G. D. Greene

Thomas O. McCullough, Sales Manager of Gerity-Michigan Corporation, announced that George D. Green has been appointed Director of Advertising and Sales Promotion with the Merchandising Division of the company. Mr. Green resigned as Vice-President of Albert Frank-Guenther Law, Inc. to accept the position with Gerity-Michigan.

George D. Green

Joins Blyth & Co.

CHICAGO, Ill. — Blyth & Co., announce that Robert E. Tutwiler has become associated with them in their Chicago office, 135 South La Salle Street. Mr. Tutwiler was formerly with Barclay Investment Co.

Harrison Adds Two

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Douglas W. Siegalkoff and Henry F. Siegalkoff have joined the staff of Richard A. Harrison, 2200 16th Street.

LIQUIDATION NOTICE

Metuchen National Bank, located at Metuchen, in the State of New Jersey, is closing its affairs. All creditors of the Association are therefore hereby notified to present claims to the undersigned, at 85 Rector Street, Metuchen, N. J.

Phil T. Ruegger
Thomas D. Ainslie
Louis H. Meade
Liquidating Committee

Dated: January 20, 1953.

Shearson, Hammill New Buffalo Office

BUFFALO, N. Y. — Shearson, Hammill & Co., members of the New York Stock Exchange and other principal stock and commodity exchanges, announces the opening of offices in the Genesee Building, Buffalo 2, New York. The new offices will be for the purpose of serving investors in Western New York State, and the resident manager will be Robert J. Highland. Mr. Highland was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Shearson, Hammill & Co. also maintains offices in Los Angeles, Chicago, Hartford, Dallas, Houston, Beverly Hills, Pasadena, Montreal (Canada), and Basle (Switzerland).

Joins Hannaford Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Catherine D. MacGowan has joined the staff of Hannaford & Talbot, 519 California Street.

DIVIDEND NOTICES

AVCO — *"A Family of Famous Names"*

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable March 20, 1953, to stockholders of record February 27, 1953.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N.Y.
January 30, 1953

Berkshire FINE SPINNING ASSOCIATES INC

The Board of Directors of the Berkshire Fine Spinning Associates, Inc., has declared a dividend of 25 cents per share on the Common Stock, payable March 1, 1953 to stockholders of record February 9, 1953.

MALCOLM G. CHACE, JR.
January 29, 1953 *President*

EATON MANUFACTURING COMPANY
Cleveland 10, Ohio

DIVIDEND NO. 123

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the common shares of the Company, payable March 4, 1953, to shareholders of record at the close of business February 11, 1953.

H. C. STUESSY, *Secretary*
Declared on January 23, 1953

American INVESTMENT COMPANY OF ILLINOIS

89TH CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable March 2, 1953, to stockholders of record February 16, 1953.

D. L. BARNES, JR.
Treasurer

January 30, 1953

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation
Domestic Finance Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

January 29, 1953

Board of Directors has declared for quarter ending March 31, 1953 DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable April 20, 1953 to shareholders of record April 6, 1953. Also declared a DIVIDEND of FIFTY CENTS per share on COMMON STOCK, payable March 4, 1953 to shareholders of record February 13, 1953.

G. F. CRONMILLER, JR.
Vice President and Secretary

TECHNICAL OIL FIELD SERVICES
LANE-WELLS COMPANY

Dividend No. 63

The Directors have declared a quarterly dividend of 35 cents on the common stock, payable March 16, 1953, to stockholders of record February 18, 1953.

WILLIAM A. MILLER
Secretary-Treasurer

NORFOLK SOUTHERN RAILWAY COMPANY

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a quarterly dividend of forty-two and one-half cents (42½¢) per share on the common stock of said Company, payable on March 16, 1953, to stockholders of record at the close of business February 28, 1953.

J. T. KINGSLEY, *President*

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock, payable on March 2, 1953, to stockholders of record on February 11, 1953. The transfer books will not close.

THOS. A. CLARK
January 29, 1953. *Treasurer*

THE FLINTKOTE COMPANY

30 ROCKEFELLER PLAZA — NEW YORK 20, N. Y.

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable March 16, 1953, to stockholders of record at the close of business March 2, 1953.

A quarterly dividend of $.50 per share has been declared on the **Common Stock** payable March 10, 1953, to stockholders of record at the close of business Feb. 24, 1953.

CLIFTON W. GREGG,
Vice-President and Treasurer

Feb. 4, 1953

DIVIDEND NOTICES

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $60.00 the amount payable on Class "A" Debentures (Payment No. 57), and a dividend of $5.00 to be payable on the capital stock out of net earnings for the year 1952, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 24, 1953. The dividend on the stock will be paid to stockholders of record at the close of business February 13, 1953.

No payment was fixed and declared as payable on Class "B" Debentures.

W. W. COX, Secretary.
New York, New York, January 29, 1953.

PEPPERELL FABRICS — PEPPERELL MANUFACTURING COMPANY

Boston, January 29, 1953

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable February 16, 1953, to stockholders of record at the close of business February 9, 1953.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*

160 State Street, Boston, Mass.

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable March 2, 1953 to stockholders of record at the close of business February 6, 1953.

KENNETH H. HANNAN,
Secretary and Treasurer

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY DIVIDEND NO. 28 DECLARED

Common Stock—30¢ per share

Payable March 3, 1953 to stockholders of record February 16, 1953.

R. GOULD MOREHEAD,
Treasurer

January 29, 1953

Esso

STANDARD OIL COMPANY
(INCORPORATED IN NEW JERSEY)

The Board of Directors have declared a

Cash Dividend on the capital stock of $1.00 per share on January 29, 1953. Of this dividend 75 cents per share was designated as regular and 25 cents per share as extra, payable on March 12, 1953, to stockholders of record at the close of business on February 9, 1953.

30 Rockefeller Plaza, New York 20, N.Y.

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

72nd Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable April 10, 1953 to stockholders of record March 19, 1953.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 43 cents a share on $1.72 Convertible Preferred Stock, and 53 cents a share on $2.12 Convertible Preferred Stock. All preferred dividends are payable April 10, 1953 to stockholders of record March 19, 1953.

A. E. WEIDMAN
Treasurer

Jan. 22, 1953

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Left-wing hopes to the contrary, Congress and the White House are NOT on the verge of political warfare. A very, very great deal more of trouble must happen before the Democrats can justify their fond hopes of a split between the two ends of Pennsylvania Avenue.

The factual situation, as seen at the Capitol, is simply this: The liaison between the White House and Congress which has been set up on principle or on paper (as previously reported in these columns), simply has not been put into working order as yet.

And the reason for this is that the Administration has simply been so overwhelmed with attempting to recruit a top working force and familiarize itself with scores of pressing problems, that it has not had time to deal with the equally urgent problem of stringing the lines of communication between the Administration and Congress.

Factually, the feeling on Capitol Hill simply does not justify the eager anticipation of the ousted Fair Dealers of the prospect of warfare among the Republicans.

The Wilson Incident

There is, of course, no denying that the Congressional followers of General Eisenhower see in the handling of the Wilson case an unnecessary blunder. Wilson was appointed at the time when the Ike boys were exulting in their victory and weren't consulting with anybody in Congress about anything.

Any two-termer in the House, if consulted in advance, would have spread the word of the terrific sacrifice the ex-president of General Motors would have been compelled to make in the interest of giving his outstanding services to the public. If Congress had been consulted, and Mr. Wilson had been given the word privately before he accepted, he could have had time to absorb the shock of the personal loss and saved the Eisenhower Administration embarrassment.

On the other hand, there is no evidence among the sober, responsible leaders of the GOP, of any abiding and implacable anger over this thing.

Dan Reed Is Anxious

The opponents of the Administration also cite Dan Reed's eagerness to get his two-way (Excess Profits Tax and personal income) tax cut bill through, and the way he was slapped down.

In the U. S. Congress no party leader can command the obedience of committee chairmen, but despite Dan, most everybody is going along and keeping his shirt on until he finds out what Eisenhower wants.

The situation with Dan Reed is that he has long been anxious to get a tax cut and this is his first chance to perform as Chairman of the Taxing Committee. The private belief of the most highly-placed leaders is that in all likelihood they will be able to pass Reed's bill, in the end. The argument is primarily over timing. The more responsible GOP leaders, including President Eisenhower as he himself said, simply want to make their record for Budget balancing BEFORE they make a record for tax relief.

Mr. Dodge Flubs

Something is being made of the "slap at Eisenhower" in curtailing the President's freedom to reorganize the government, although it appeared that Congress would, in the final bill, give the President the full power he wants.

For 20 years the GOP has been fighting Democratic Presidents in their demands for unlimited power to reshuffle and play around with the bureaucratic establishment.

So when Ike let it be known he wanted to have power also to reorganize the governmental establishment, the GOP leaders (minus, however, the chairmen of the appropriate committees) went along with giving Mr. Eisenhower the same power to reorganize that Congress gave Truman.

Then Mr. Joseph Dodge, the new Budget Director, appeared before committee to speak in favor of this proposition. Dodge got himself purred by Rep. John McCormack, the Democratic leader, into saying the fewer strings Congress put on the President's power to reorganize, the better it would sit with Joe.

This, of course, didn't tend to put Mr. Dodge in as favorable a light as might otherwise have been the case. It was not, however, because of this boner that the two committees of Congress made it easier to upset a forthcoming reorganization plan of the new President than to upset one of Truman's plans.

In the first place, Congress has certain pet bureaus which it wants to protect, economy or no economy.

In the second place, Congress has a deep and abiding distrust of the "management engineers," Nelson Rockefeller, et. al., who are planning the reorganizations. Management engineers have been prowling over the government for more than a decade, suggesting "streamlining" and "efficiency," and the volume of government spending, payrolls, and empire building has gone merrily upward.

So in tentatively putting some strictures on Eisenhower anent reorganization, Congress felt it was not "taking a slap at Eisenhower," but at the aforesaid management engineers. It wants to protect Eisenhower against these birds.

Congress Trusts Eisenhower

Some of Mr. Wilson's alleged inept remarks to Congress, and Mr. Dodge's unfamiliarity with the rudimentary politics of reorganization, suggests to GOP leaders in Congress that maybe some of these outstanding businessmen would be wise to avail themselves of free and expert political advice at hand. They should comprehend that their unquestioned success in commerce, industry, and finance does not automatically endow these men with political sagacity.

There is, however, a tolerant understanding of their problems and a genuine comprehension of the value of this business brains to the government.

There also still is strong faith in Mr. Eisenhower on Capitol Hill. Some of the most ardent ex-opponents of Eisenhower among the GOP, have talked with the President and are convinced he means well and when he gets around to it, which they hope will be soon, things will be straightened out.

Study Tax Revision

Appointment of Dan T. Smith, Professor of Finance at the Harvard Graduate School of Business Administration, as top tax planner and thinker for the Treasury, is believed to indicate that the Treasury is taking most seriously the subject of overall tax revision.

Smith is recruiting a staff of tax experts and economists who will help frame the Treasury viewpoint on tax problems, under Marion B. Folsom, the Under Secretary. Folsom's duties will be in the tax field.

Overall tax revision, of course, is said to be impossible until such time as expenditures have been sufficiently reduced so that the Treasury can balance the Budget on a lower volume of revenues.

All the major ideas for promoting a more equitable tax system—shortening depreciation allowances, working toward ending double taxation of corporation income, reducing the burden of taxation on foreign income, exemptions for health insurance, or reducing the capital gains tax—involve losses of revenues, at least at first. So do many minor remedies of inequities, which can be counted by the hundreds.

It has not been decided for sure when hearings will commence on a general revision bill. Substantial legislative relief probably will not be possible to achieve for a couple of years.

Meanwhile, however, the Treasury may look at tax inequities which can be remedied without too great a loss of revenue, it is suggested in Congress. A fitting type of circumstances is where the Bureau of Internal Revenue in the past has, in the opinion of many taxpayers, gone beyond the intent of Congress in applying regulations more harsh than the law intended. Congress has received many suggestions for legislation to "cure" by legislation the past attitude of the Bureau of Internal Revenue.

Taber Finds Spending Examples

The redoubtable John Taber, Chairman of the House Appropriations Committee, and an arch foe of waste, has come up with a couple of examples of the latter.

He said one State Department official formerly stationed in Europe complained about being transferred to Washington, D. C., "where he had to work," and on only $10,000 per annum. In Europe various allowances brought his real pay to $20,000 a year and he had a car and no duties of any substance.

Another Mutual Security Administration official abroad had a budget of $14 million this fiscal year to help rehabilitate a small country. This official, and the cooperating foreign government, found they could spend profitably only $10 million this year. So the MSA official wrote a report home, stating that he was turning back the unneeded $4 million.

The State Department acknowledged the report, according to Taber, and said they were increasing his budget to $18 million. "So the official resigned and now he is going to turn state's evidence," observed Mr. Taber.

It is reported that the Commerce Department has about 1,000 economists, the State Department 340, the Treasury 70, and the Department of Agriculture 2,500. The number of these WILL be cut.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I missed that part between 'Dear Mr. Snitzel' and 'Cordially Yours'!"

Business Man's Bookshelf

Economic Stability in a Changing World — John H. Williams — Oxford University Press, 114 Fifth Avenue, New York 11, N. Y. —Cloth—$5.

Small Business: Its Role and Its Problems—Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C.—Paper—50c (lower prices on quantity orders).

Stabilizing Construction: The Record and Potential — Miles L. Colean and Robinson Newcomb—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.—Cloth—$6.